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# PART I—PURCHASING FOR STORE, OFFICE AND FACTORY

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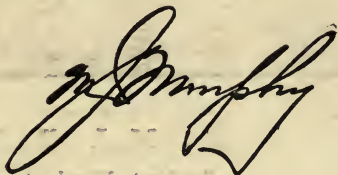
## *The Buyer's Responsibility*

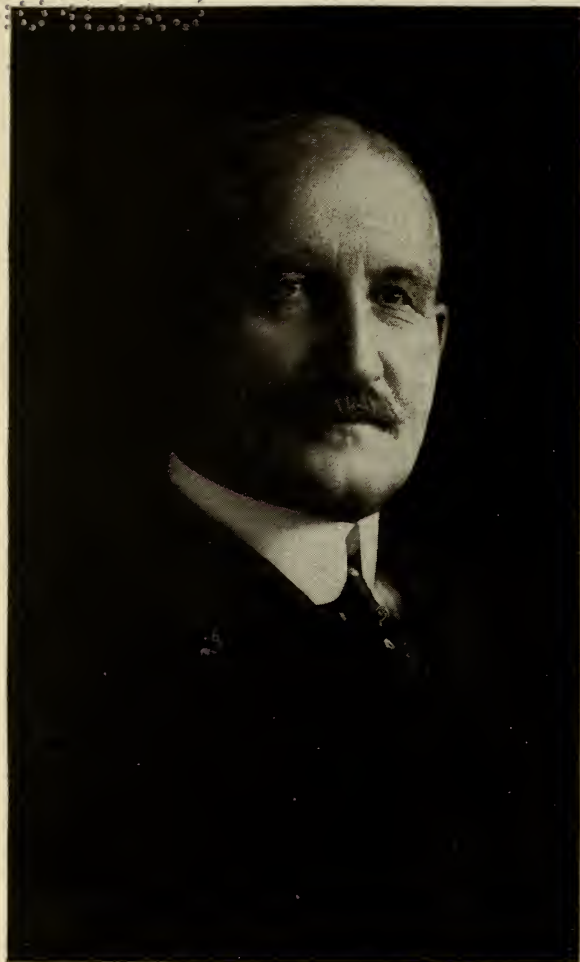
STOCKS that go into the store are the food with which strength is built. The method of selling, the courtesy, the display, important as they are, only dispose of that which you buy. The good buyer is the builder of your future, and as surely as time makes days into yesterdays, just so surely the buyer holds within his hand the major part of your business destiny.

Mr. Buyer, remember that the net cost, the net quality, the net value, and the net possible selling price shape your results.

Labor and material have advanced steadily, and, to keep the wheels of business in motion, you must realize that the price paid is to be judged only in relation to the values secured. Business counts, loyalty counts, and each buyer's mite toward helping our big national industries counts in the profits of all.

Build so that your business may whisper to you at the end of a year that the tide has not carried you out, away from achievement rightly won, to leave you to sink a loser.

A large, stylized handwritten signature in black ink, appearing to read "J. S. Murphy". The signature is written in a cursive style with long, sweeping strokes.



**M. J. MURPHY**  
*President, Murphy Chair Company*

**PURCHASING PROBLEMS  
BUYING  
AND HIRING**

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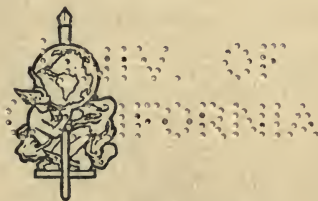
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# **PURCHASING PROBLEMS**

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## **BUYING AND HIRING**

**BUYING STOCKS, MATERIALS  
AND EQUIPMENT  
FOLLOW-UP METHODS AND ORDER SYSTEMS  
BUILDING UP AND HANDLING  
THE WORKING FORCE**



**A. W. SHAW COMPANY**

**CHICAGO    NEW YORK  
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# I

## SCIENTIFIC PURCHASING

By Wheeler Sammons

**R**IGHT buying is like the healthy constitution which pulls you through a fever—you don't think much about it until the doctors mention it. You will not know the real worth of your buying policies until they are tested by one of the temporary periods of hard sledging through which business tugs from time to time.

Indications of trouble which scudded ahead of such a recent depression gave the purchasing agent for a Connecticut manufacturing firm an opportunity to demonstrate in dollars and cents the value of right buying during business stress. He is famous for the sagacity with which he follows market tendencies. Analysis of his information files containing bank statements, investigation reports and clippings from trade papers called to his attention the earliest signals of the depression. He immediately reduced his material purchases to the lowest ebb possible. As he expected, the slump drove the raw material down to unprecedented price levels. His stock room reports of material on hand were hovering around the zero mark.

The president of the company called him into the office and said, "Blake, we're in difficulties." They stepped to a window beyond a secretary's earshot and overlooking the sawtoothed roofs of the factory build-

ings. "We take pride in the record that our men have never been without work, but I can't keep going in the face of cancellations which the slump is bringing. I'm afraid we'll have to close temporarily before the week is out and you should purchase accordingly."

"I've been having some long thoughts on conditions and I'm prepared for that, Chief," the purchasing agent replied. "The material on hand don't amount to a hill of beans. But I think I've got a better solution. We can buy today in the open market raw material at from thirty-five to forty per cent below normal prices. Why don't we buy, make up a few attractive special lines and offer them at about half our usual prices? The retailers have got to sell something, slump or no slump, and they can not resist such a slash. It's worth breaking a little less than even if we keep the men busy."

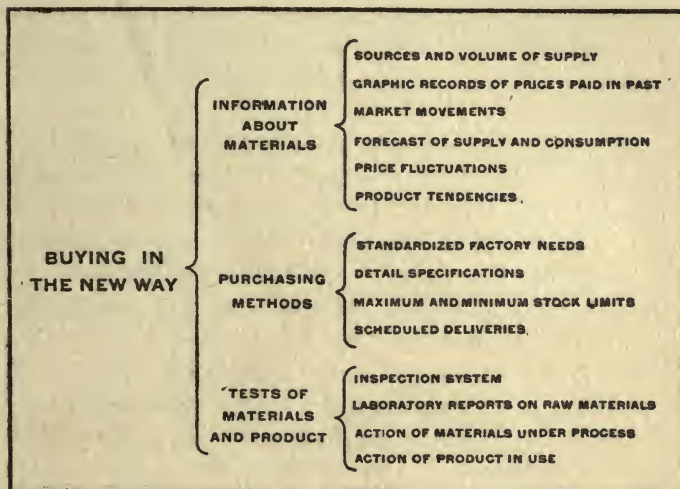
The special lines, rushed into the market, unidentified by trade marks, sold splendidly without injury to the company's regular, price-maintained products. Today the company counts the loyalty of its men the most valuable of its intangible assets. The feeling, openly expressed by the older workers, that "We'll have jobs, no matter what happens—look at the last time there was trouble and factories in our line closed down—we kept working right along," wins an interest in its progress profitable to the company.

**W**HERE and what to buy are the first big problems—  
detailed information regarding your needs must  
be supplemented by accurate knowledge of suppliers.

Accurate market information and detailed reports on your sources of supply make for right buying in both the factory and the store. Today men who buy to sell



again use intensive merchandising methods; men who purchase for production work with practically the same principles. Intensive merchandising and the new way of buying materials have a common object and both



**FIGURE I:** *Information and methods which enable the modern buyer to secure the right quantity and quality in his goods are here listed*

come of straight thinking, sound planning and a desire for scientific methods.

You desire to know exactly what you can get and who is best able to supply your wants when you go into the market. To secure this information, purchasing agents visit frequently the sources which furnish their raw materials and carefully investigate delivery and production capacities. A record is kept of formulas and working drawings. It is also important to know about the man who makes what you use, and about his fac-

tory, and his workmen, and his bank account. File these facts on cards and constantly freshen them; arrange market and product tendencies to be accessible on a moment's notice; clip the trade magazines carefully; question salesmen and see that quotations, price fluctuations and credit ratings are recorded. But only by personal investigation can the man who buys raw material in large quantities get the detailed resource information he needs.

The retail buyer always has his weather-eye open for attractive "jobs." He "sweetens" his stocks with them. There are also "snaps" in the purchasing agent's market. The successful retail man buys for his community and hands on the profits from "snaps" to his customers through reduced prices. His reward is a quick stock turn and new friends. More indirectly, but not less definitely, the factory buyer wins when he buys close to the market, for he also is hired by the community to go to market. He cuts prime costs and gives better service when he makes good. His rewards are increased sales and more friends.

Having found where and when you can most advantageously get what you want, the second problem is to fix your own needs. The employment man standardizes the requirements of a job, and looks for a man to fit. The retail buyer analyzes the conditions his stock meets. The purchasing agent works to get down in black and white the standards up to which his raw material must measure. His market and resource information then enables him to satisfy to best advantage these standardized needs.

To standardize your wants it is necessary to consult with the department heads or foremen. You will find technical advice and information invaluable. The stan-

dardized needs can then be filed on cards which will tell at a glance exactly what you expect of the supplier. If a standard 60-mesh cloth is not satisfactory, for instance, the standardized requirement card specifies that a special 65-mesh weave is needed. Dimension lumber is another instance—it usually offers savings, and standardized needs enable it to be definitely specified whenever possible.

The card file of standard wants, if it is to give full value, demands frequent overhauling. One manufacturer goes over the cards every six months. He plans to make standard at these semi-annual inspections any improvements or inventions offered by the market. He uses raw material made to many formulas, each fitted to the demands met by the particular product into which it is to be moulded, and the mixtures require re-standardization in order to keep up with everyday progress in applied science.

Once your requirements are standardized and you know where they can be satisfied profitably, it is possible to buy by specification. If you are purchasing paint, pig iron or tool steel, you can usually specify a formula determined by your standardized needs. Bab-bitt metal, for instance, is commonly mixed to specification—if 85 per cent of tin is specified you can see that it, and not 20 per cent of tin and 65 of lead, is there. A saw manufacturer specifies sixty odd formulas in his mill contracts and samples every shipment to see that it satisfies his specifications. His photo-micrographs and acid immersions enforce contracts and assure him full value.

Equipment buying, after your wants are standardized and the sources studied, is also a matter of specification. Both the planer and the new unit type selling fix-



ture are valuable only in proportion to producing capacity. You, therefore, set up standards that enable you to specify feeds, ease of manipulation, constancy of operation, accuracy, speeds and range of capacity. Then you figure the customary charges—labor, power, interest, supervision, depreciation, space and repairs. First cost being a secondary consideration, the one calculation left is to find capacity by combining the charges and the needs. A Rhode Island manufacturer cut his collar milling cost fifty-five per cent by closing his eyes to first cost and replacing a modern one thousand dollar machine with a new, high capacity model at two thousand five hundred dollars.

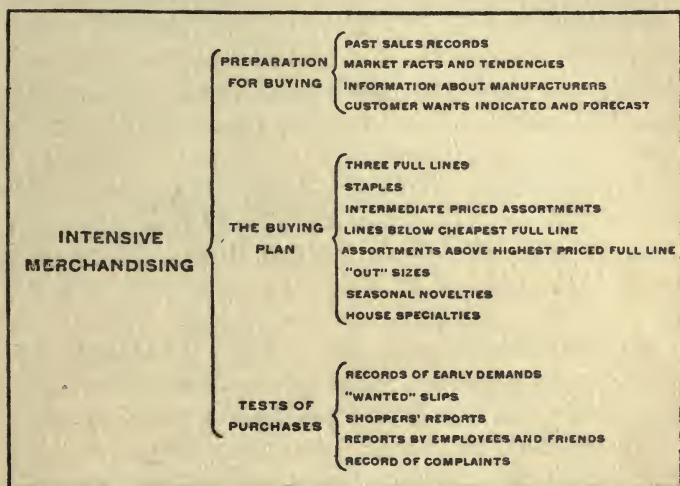
**S**TANDARDIZATION *of your needs means that you can buy by specification—and laboratory inspection tests assure you of receiving the right quality.*

The final question the purchasing agent struggles with is: "Have they given me what I bought?" You study the manufacturer, analyze the visible market supply, make standards for your wants, specify these needs in your contracts—and then the whole scheme falls flat unless you check to see that the supplier has lived up to it. You test and inspect. The larger manufacturing plants have put laboratories on their pay rolls. Since the laboratories are also used to determine specifications and test the finished product, at least a portion of their expense can be legitimately charged directly to production. The laboratories may be set to check three points: the quality, quantity and fitness of the raw material; process standardization and economy; and analysis of material consumed.

If you can not afford a testing office or a chemist, the services of reliable commercial laboratories are on the



market. These organizations make tests of all degrees of complexity at nominal charges. If you are purchasing equipment, use your competitors' shops as laboratories, and watch in them machines working under practical conditions. But a laboratory is often not half as formidable as its name. Numerous firms have taken



*FIGURE II: How the buyer classifies his stocks, tests out new lines and determines demand—this chart shows the characteristic working methods of the buyer in intensive merchandising*

bright young fellows out of the shops and trained them into first class practical chemists. Six months of special schooling is not an unusually short formal preparation for this work.

Buying by test demands delicate and complicated instruments which put the scientist at the purchasing agent's elbow and supplement the expert's trained eye. Dynamometers fix motive power, scleroscopes pass or

reject steel with an authority beyond dispute, torsional machines measure twists, and the pyrometer watches heat. The purchasing agent can measure compression and tensile strengths with an accuracy equal to the insurance doctor's manometer blood pressure test. The balancing machine by which the factory buyer determines if a crankshaft is capable has anticipated the psychologist's delicate experiments for picking men to fit the job's demands. It's worth while when signing a contract to know that you can pick up a sample cutter and find out if it really contains the  $8\frac{1}{2}$  per cent of molybdenum you specified.

The purchasing agent doubly tests his work by linking the laboratory findings with a cost system. Quality and delivery come before cost, but raw material charges demand investigation if they run away with the net profits. Cost accounting systems enable you to trace in detail the part purchases play in fixing the selling price. With their aid you can figure standardized buying limits and work to secure unusual quality at profitable costs.

Forewarned by accurate, systematized market and supply knowledge; guided by approved standards for his needs, and protected by reliable laboratory and cost accounting tests, the buyer is prepared to figure out how much and when, under normal conditions, he should buy. Goods purchased year in and year out in reasonably constant quantities are usually bought under contracts calling for scheduled deliveries. This plan gives the supplier an opportunity to lay out his work in advance. You share in the savings which result. Intermittent needs can be satisfied through current buying adjusted to capitalize the most favorable market conditions.

Routine buying, if done by standards, specifications





provided for by the three blanks in the upper right-hand corner.

Right buying for the factory—with supply and market records, standardized requirements, accurate specifications, satisfactory tests, and maximum-minimum order limits—is only intensive merchandising in terms of manufacturing, equipment or supply purchases. The intensive merchandiser and the purchasing agent who buys right use the same principles and want to do well the same task—making it easier for somebody, somewhere, sometime, to sell. The retail buyer purchases goods to be sold in his own store; the factory man gets material in one market which the boss's salesmen sell in another market. Buying raw material right helps when the prospect's door is reached and the sales talk started.

**B**UYING *methods used by the merchant are not essentially different from those of the factory buyer—how past sales records help forecast future demand.*

Twelve pink call slips for sweaters lay on the buyer's desk. Twelve customers had asked for sweaters, found a depleted stock and taken their money to rival stores. Sweaters were at a premium. Unexpected popularity had exhausted the manufacturers' stocks and set a day and night schedule for the mills. Purchasers gladly paid unusual prices to the lucky stores which were still stocked.

The buyer, who knew he must either replenish his stock or continue to lose fancy profits and regular customers, went to the merchandise manager.

"Mr. Simpson," he said, "I am telegraphing Hastel that we will pay \$5 for their regular \$4.50 sweater, and take three hundred and fifty-five dozen if we can have immediate delivery. I am sure of my market. I am

sure that Hastel will act without holding out for more when he sees the extra profit. The market is bare at the regular price. Will you O. K. the order?"

"You are paid to know your manufacturers and the market," the superior replied, and approved the order.

The sweaters arrived by express the next day. They sold satisfactorily at sixty cents over the usual retail price and pleased four thousand two hundred and sixty customers who found it difficult to locate full stocks elsewhere. The manufacturer made two thousand one hundred and thirty dollars, besides his customary profit, and the store cleared the regular mark-up increase by four hundred and twenty-six dollars.

The buyer had been guided by card records of his dealings with Hastel, tabulated reports of sweater sales, and filed market information. The Hastel "resource" card gave the store's total yearly purchases from Hastel for five years back, the mark-downs, the terms, the annual profit resulting, and added: "The product is periodically tested and has always been satisfactory. The sales are good and our mark-downs on this resource are limited. Hastel can make quick deliveries and, though always striving for the best profits, he takes reasonable profits and holds to contracts." A complete report on the Hastel factory and the financial condition of its owner was filed with the card. The general files on market information traced style tendencies in sweaters and collected clippings which hinted at growing popularity.

Sales figures divided for five years the average number of sweaters sold into three price lines—low, medium and high. The buyer found that between twelve thousand two hundred and fifty-five and twelve thousand five hundred and two sweaters had been sold annually for five years in the medium-priced line. His opening stock of

twelve thousand five hundred had been exhausted in about two-thirds of the selling season. He counted on the unexpected popularity to move an extra hundred or so, and ordered four thousand two hundred and sixty from Hastel.

The following sales figures are tabulated to bring out three full lines:

	\$3.10	\$3.45	\$3.90	\$4.50	\$5.15	\$5.95
January . . .	180	201	81	675	19	86
February . .	131	234	206	821	71	214
March . . . .	92	251	101	805	8	162
April . . . .	214	305	48	981	76	185
May . . . . .	261	273	62	1,463	181	436
June . . . . .	292	204	81	2,022	102	1,021
September . .	141	302	..	599	1	28
October . . .	202	265	..	541	18	86
July . . . . .	83	209	35	2,141	39	621
August . . .	65	151	..	804	22	51
November . .	301	241	61	601	21	125
December . .	262	343	92	802	..	241
	<u>2,224</u>	<u>2,979</u>	<u>767</u>	<u>12,255</u>	<u>558</u>	<u>3,256</u>

The lowest priced full line is at \$3.45, the medium priced at \$4.50, and the highest priced at \$5.95. The \$3.10 line is the cheapest advertised.

Stores which buy to sell quickly and secure rapid, profitable turnovers, carefully record sales tendencies, sales figures, market knowledge and information about manufacturers. They find it worth while to let manufacturers know that the profit or loss on every article put into stock is watched. They have subdivided sales until the buyer can put his finger on several profitable prices—usually low, medium, high—and show how much stock his department normally markets in these lines. Buyers backed with these records go to market forewarned. They are prepared to buy scientifically.

Intensive merchandising, a new term in the retailer's vocabulary, simply means using market and sales and supply and customer knowledge in a system by which



thin stocks can be sold quickly. Intensive merchandising, therefore, plans for quick turnovers with a profit on each. Merchandising will come as near to being a science as a business can when buyers are able to go to market with such a system.

**I**NTENSIVE *merchandising requires the use of ideal stock plans built around classified lines of goods, and the ability to be always ready to buy.*

A merchant whose name is known the length of the northern Atlantic coast and who has lifted his store "by its boot-straps" to a yearly sales volume high in the millions, declares, "give me a buyer with very little experience, but who uses a system which insures rapid turnovers, in preference to the man gray in market knowledge and old in contact with goods. The intensive merchandiser new to the market can hardly help buying for profits which will at least double what the older man has been averaging from the market for a quarter of a century."

A system which gives intensive merchandising this advantage calls for two methods—a plan for suitable, thin, complete stocks; and a way always to keep in the market ready to buy. These two methods must be supported by schemes for gathering effective market and sales knowledge. They must be constantly tested by a definite system. Surrounded by these precautions, they are the beginning and the end of intensive merchandising.

Salable, thin, complete stocks are secured by buying according to ideal stock plans. These plans are usually built up and around three lines—a lowest priced, a medium priced, and a highest priced. Estimates for safe purchasing limits are made from records of the



sales of these lines over previous years. The stocks are often bought on a basis of a clearance every three months, or four turnovers a year, and are complete in styles, sizes, colors and materials. The number of turnovers for which you can safely plan depends entirely on the nature of your business.

The lowest priced full line in a three line basic stock retails for the price at which large sales commence; the best selling full line marks the most popular price; and the highest priced full line sells for the highest price at which quantities can actually be sold. For example, a well-to-do woman buys the best selling line for everyday use; the customer with a less liberal purse will buy from it only for Sunday wear. The woman who can spend her money freely will buy, let us say, \$1.50 gloves. The woman who must economize will not pay \$1.50 unless she desires the gloves for dress occasions. The one wears the quality glove every day; the other on special occasions only, her daily glove being cheaper. The best selling full line for your gloves will probably, therefore, be at \$1.50. You will find little trouble in locating your full lines by accurate sales records, careful testing and close observation.

Once the lines are located, the remainder of the stock plan is easy sailing. You have studied your source of supplies and decided on the typical pieces you will offer your customers. You can now figure on the less important stock. A cheapest advertised line and a cheapest regular priced line are usually carried below the lowest priced full line to give publicity values and accommodate unusual customers. Small quantities at between-line prices will fill in the price gaps which divide the three full lines, and novelties are often carried at prices above the highest priced full line figure.

Each full line has five subdivisions. First of all, it carries the best articles in your city at the price. On these you plan to build trade and expect little, if any, profit. The second sub-line is a more profitable article which, because of added "ideas" and touches of finish or fashion, will sell in at least equal quantities with the best-in-your-city line. Then there are staples, novelties and sizes. It is worth while to also prepare to secure unusual stock with an advertising value—a short-waisted coat, a shoe for cripples, a novel perfume or a rare drug.

In buying stock to fit a basic line plan, you first get the best-in-your-city sub-line of the lowest priced full line right. Then decide upon the same feature in your best selling full line. This will force you to fix the full lines. You will naturally lay out your samples and your stocks to see that they fit into these lines and compete with themselves. If the stock is laid out regularly once in two weeks, the full lines can be carefully checked. When your goods fall away from the full lines, profits will not continue unless the stocks are hammered into shape by mark-downs or new purchases.

The planned stocks when estimated can easily be purchased on a definite basis which prevents overbuying. Establish a rule that your stocks shall not exceed the sales you feel sure you can make the next month and that your orders for delivery the next month shall not at the end of the month exceed one-half the sales you are positive will be made the next month.

These rules will prevent stock growing old and leave you always free to buy unusual offers. They will help you only if you make laws of them. A buyer for a large carpet house which uses scientific merchandising methods attended an auction which threw four million dollars' worth of carpets into the market. His rivals could

not resist the unusual offerings and bought heavily. He held to his rule, "Buy only one-half next month's sales." He had not been back at the store a week before he received word that a second and totally unexpected auction was to be held on account of market changes. This second sale announced new patterns normally held for the regular trade. His rivals could only buy at a danger of heavily overstocking. He was still free to buy, and secured plenty of fresh, new patterns at remarkable prices.

**T**ESTING *demand for the goods you select is essential in buying by the basic line plan—three methods which help you use the customer's own eye.*

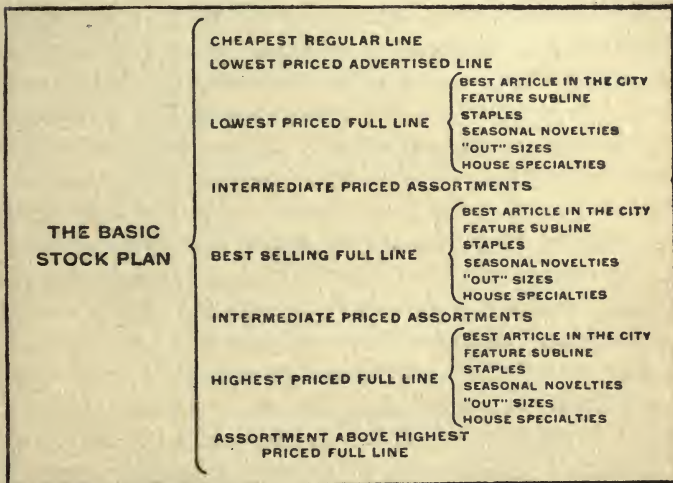
When stock has been bought to a basic line plan, it must be tested carefully for completeness and sales value. The work of studying the market and your manufacturers, of planning out the basic lines, of keeping always open to buy under the two rules—all may go for nothing if you fail to test and make sure you are right. Testing is done in three ways: a ticket system, call slips and shopping rival stocks.

If you are selling wearing apparel, for instance, and have made several guesses at what will be popular, you can mark this new stock with pink tickets, which are a warning against selling. Keep the tickets on the goods for several weeks and record all decisions to buy. Offer to secure duplicates for customers, but forego sales if they cannot wait. Within a few weeks the records on the pink tickets will point the one or two popular styles. Then take off the tickets and place small re-orders for the popular styles which customers have picked for you. Your first buying was a guess, but your re-orders will be the choice of your customers.



The work of the ticket system can often be safely supplanted by watching your purchasers. Pick out a typical customer who usually buys in a full line—the lines represent classes of customers—and find out how your season's selections at the line price please him. Do this for all the full lines. Your friends and your employees can also help you test out your stock.

Want slips are blanks filled out by the salesman when a customer's wants can not be supplied from stock. They are not of full value unless salespeople are continually



**FIGURE III:** *The modern buyer classifies his stocks in high-priced, medium-priced and low-priced lines, and also according to popularity among his customers*

encouraged to use them and you act upon them at once. It is worth while to keep a careful record of the goods asked for on the slips. There is no necessity to place bulk orders when filling wants for unusual stock, but breaks in regular lines demand immediate correction.

Shopping is a third way to test your buying. Large stores employ expert shoppers to go over rival stores. A small retailer can either shop himself or use a salesman's spare time. It is important to make sure that the shopping reports are well founded before acting on them. Department stores instruct shoppers to visit their own stocks and criticise impartially.

After all, in buying, goods are only worth what they will bring. Your customers set this deciding figure. You plan to buy with their eyes; you test to make sure that you have succeeded. This is only self-interest—but a kind of self-interest from which always springs business and community progress. Every subdivision of a line represents a class of customers. When you carry these different lines you are giving maximum service, for you have practically fitted your pieces to the economic levels of life. The bank president has his full line, and so also the bank's messenger, and both benefit from the savings of a common roof and a common management. Then you ask the bank messenger, and the banker, and all the rest of us, to vote for what we want most in our price lines. You buy according to this vote—buy as a paid, selected representative of the community. Service well done for the community—either right buying or right law making—is well rewarded. “Intensive merchandising” is only a shorter way of saying, “Know your customer and buy accordingly for a quick turnover.”

The best place to meet your customers is at the counters. A system for scientific merchandising is valuable because it assigns the detail to an ambitious clerk's spare time or an assistant buyer and leaves you free to buy—and sell. Watch the purchasers and hear what they say about your stocks. The goods may look differ-

ent to the customer than they did to you under the carefully selected surroundings of a New York salesroom. Your ears may burn first on one side of your head and then on the other. But whether the criticisms are favorable or adverse, correct errors and capitalize successes at once. Your customers are always right, and there is no reason for hesitating.

It is worth while, whether you buy for a little shop—a department—in a big city store, or run a place of your own in a town, to record your customers' wants individually. Make out a card for each steady purchaser, and have a bright salesman jot down on it what is bought. You get then a little detailed picture of the big panorama which your sales statistics supply. Run over these cards on a dull afternoon and have a silent customers' conference. The cards are used by both big and little stores to supply lists for mailing follow-ups and notices of special sales.

Right buying—of materials, to be shaped into products; of goods, to be sold again; of equipment, to handle manufacturing and selling; of supplies, to satisfy the daily wants of business—is one of the great steps in distribution. Unsystematic, blundering distribution levies an invisible tax on the clothes you wear, the food you eat and the utensils you use. Prosperous and youthful people, we have shouldered the tax cheerfully; growing older, we plan to reduce it in order to preserve our prosperity. Business men in all the great cities see the need, and are thinking out their distribution problems to economical, sound methods. Thousands of business men in towns are helping to set distribution aright by careful buying according to tested principles of which their fathers were ignorant.

Their motives are selfish—the business man must



either buy right when distribution has tightened, or go into the receiver's hands. But the reaction is to your benefit and for the community's welfare. Men who buy right make life easier for others—render a good service to the country.

Developments in distribution have been remarkable. The buyers who are growing old in the harness tell market stories which are all but incredible to their successors. Still more effective developments are to be expected. "The next ten or fifteen years will see greater changes in distribution than the last decade," declares the president of a store known from coast to coast and beyond. "My wholesale departments have raised the credit standing of an entire section of this country by showing retailers how to buy. Our work is only started."



**THREE** things requisite in a buying organization are: *first, a set of able, experienced buyers; second, one man at the top to coordinate, unify, and direct in a general way the work of these buyers; and third, a system which will get the best prices, the quickest shipments, and an absolutely accurate knowledge in regard to stock on hand.*

—Every M. Paget



## II

# MATCHING PRICE AGAINST FINAL COST

By J. V. Hunter

**R**AW material is a most important element of factory cost in almost every manufacturing business. Yet labor cost is generally watched more closely. How the manufacturer does his purchasing often determines very largely whether red or black figures will show up on the balance sheet at the end of the year.

Too often the factory manager, buried in the near view of his problems and trusting to a subordinate to tend to this important phase of his business, allows the margin which would determine financial success to slip away through unscientific purchasing. The criterion is too often—buy the cheapest. But cheapest in first cost is by no means always or oftenest most economical in final cost; and it is from the angle of final costs that a manager must view his purchases.

The unwisdom of a purchase based on lowest first cost is illustrated in Figure IV. In this particular case the purchasing was entrusted to a purchasing agent who had been appointed to his position because of his ability as a clerk and bookkeeper, but who knew little or nothing about manufacturing. Nor was he provided with specifications governing the quality of the materials he should purchase. Naturally enough, he tripped upon cheapest-in-first-cost. He bought some three-year maple

for early use. The purchase was delayed several weeks—during which time the material should have been on hand and drying—while he was writing all over the

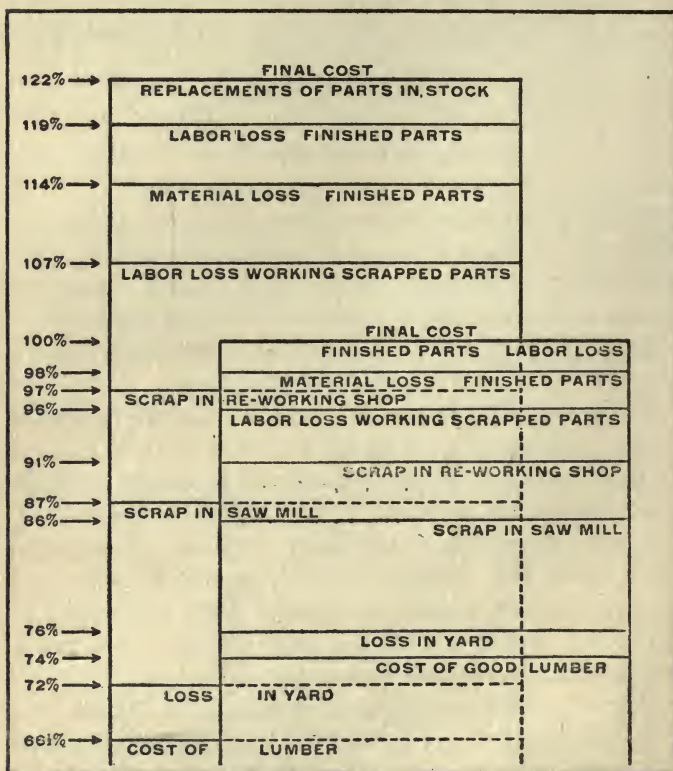


FIGURE IV: The final cost here should have been 100%. Owing to the purchase of cheap materials, losses in working up the materials brought the actual final cost to 122%

country for prices, in order to save a few dollars per thousand. The lumber came only half cured. The factory was obliged to work it up at once. Consequently,

there was a heavy loss through the checking, warping and twisting out of shape of finished parts. The purchasing clerk was pleased at a saving in purchase price

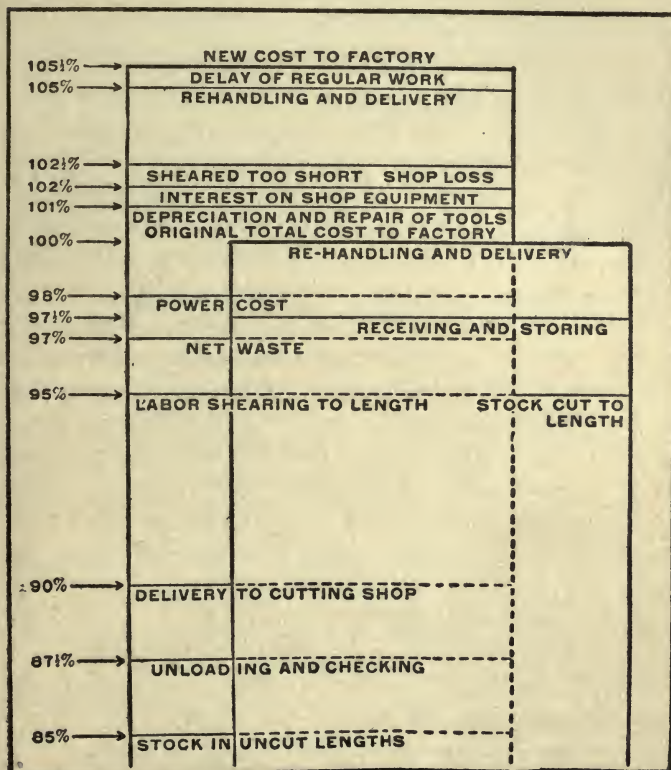


FIGURE V: Lack of cooperation between the purchasing department and the shop, as here shown, resulted in a loss of five and one-half per cent instead of a supposed saving of three per cent

of seven and a half per cent, shown on Figure IV as the difference between sixty-six and one-half and seventy-

four per cent. Actually, however, there was a loss on this lot of lumber of twenty-two per cent.

**E**CONOMICAL *buying very often results in the selection of the article which at first seems most expensive—determine your needs, then consider price.*

Another case is illustrated by Figure V. Here again the purchasing department was uninformed as to practical conditions. The shop had previously bought certain stock in cut lengths, thus avoiding the labor of cutting. The purchasing clerk asked the superintendent what it cost in direct labor for cutting to length, allowing a proper per cent for waste in cutting. On this basis he figured they could save three per cent by buying the undimensioned lumber and cutting it up themselves. Elated, he called this saving to the attention of the manager and claimed credit. What the actual saving was, or, rather, was not, is shown by the diagram (Figure V). The clerk forgot to take into consideration such items as power, depreciation and repairs, interest on investment in shop equipment, expense of extra handling involved, and delay incurred in regular work. So instead of a saving in material of ten per cent and an apparent net saving of three per cent, there was, in reality, an actual loss of five and a half per cent.

Now, if the buyer in either of these instances had had practical experience in the shop or experience in figuring cost, or if he had been guided by specifications and instructions prepared from the point of view of the man in the shop and the cost expert, he would have wasted no time in attempting to buy the cheapest kind of lumber. Many factory managers tolerate purchasing methods of this sort. Many, indeed, consider their material as only so much raw stock whose cost ceases



the moment it is unloaded on the ground and paid for. Most managers consider the purchasing department efficient when a comparison of the prices paid with the market quotations shows that their stock has been purchased at or below the market price. Few take the vital step of analyzing their purchases from the viewpoint of final—which is the only true—economy.

Many factories now have an “engineer of material” whose duty it is to act as a mediator between the shop and the purchasing department in cases of this sort. He ascertains by actual test the suitability of all materials proposed and prepares specifications to guide the purchasing department.

**C**LOSE connection between the purchasing department and the shop is essential for right quality—how the “engineer of material” acts as an arbitrator.

In one establishment employing an “engineer of material,” the arrangement works out as follows: Whenever the designing department produces a new design calling for a new kind of material, it refers the matter to the “engineer of material.” The latter consults his records. If he has no information on hand covering the kind of material needed, he takes up the matter with the purchasing department. This department then writes to different producers of the material in question requesting samples and prices. The engineer makes the tests which he deems necessary and eliminates at once those samples which are defective. The rest of the samples are then given a try-out in the shop. Those only which stand this test are considered for purchase. Sometimes the purchasing clerk buys the cheapest; again, he may buy upon the basis of delivery. Or, if doubtful about any of the firms he is dealing with, he

may place a small trial order with a number of them and base his final order upon the showing, not of the sample, but of the trial order. Material good in samples sometimes falls far short in quantity orders.

Not infrequently shop prejudices hold back the buyer from effecting economies in his purchases. Foremen may strongly favor certain supplies, particularly such things as tool steel or oils and paints. Growing accustomed to one kind, learning to handle it in a certain way, they become convinced it is the one brand that is suited to their line of work, although there may be dozens on the market that, with a little change in method, could be adapted to their purposes with great saving. Again, the favoritism may be due to unionism. The favorite brand bears the union label; the proposed does not. There are a score-and-one other reasons, fancied or real, for combating a change.

The manager or owner himself may stand in the way of wise buying. A very large concern bought all of its coal—thousands of tons annually—of one local dealer, who, outside of business, was a great friend of both the manager and the owner. The owner himself placed this contract regularly, without question, taking his friend's word for both price and quality.

But there came a time when purchasing in his firm was put on a scientific basis; material was bought on specification; an "engineer of material" was given authority over these matters, and the placing of contracts even by the president was checked. The coal, supposed to be all right, was found on test to be very inferior. Samples were secured from other dealers, tested and compared, and it was found that, on the heat unit basis, the favorite brand was the least efficient.

The value and function of the material engineer is

plainly evident in all these cases. He dictates purchases on the basis of careful, unbiased, often technical inspection. Moreover, not having worked in the shop, his judgment is not warped by the natural inertia of the shop man to change. Finally, he has the necessary practical and technical knowledge and experience, and the broad viewpoint on the problem necessary to dictate purchases to the best advantage and to know for a certainty that material purchased is not only right in quality and cheapest in final cost, but is receiving a square deal in the shop. He does not look at final costs through the obscured goggles of first cost, but views each first cost through the clear glass of final cost.

**D**EPENDABLE quality as well as service is expected by the factory purchaser. One of the first questions the buyer asks is, "What service can I expect?" and the answer that the manufacturer gives must be based primarily upon his knowledge of what is in his raw materials. Unless the manufacturer knows just what requirements his raw material will meet, he can not say with confidence what service his product will give.

—T. K. P. Haines



### III

## WHEN THE SALESMAN DROPS IN

By Carroll D. Murphy

**T**HE salesman—that shop and field-trained defender of samples against the daily pessimism of buyers—is a “traveling directory” of all that pertains to selling. And what touches selling touches buying.

In sharing his knowledge with the buyer, however, the salesman naturally hammers the spots in his goods that ring true and taps gingerly on other features. Therefore the successful buyer sitting in judgment on all the lines offered, forced to consider salability and serviceability above personal claims, must use every idea that comes and dig for others. He must have no ear for flattery and “rush” talk. He must remember that till he has signed, he has the advantage and can use his own judgment despite the salesman’s hypnotism. He will test every opinion, catch at only the real pointers offered, and complete the goods comparisons of which each seller gives his own partial view.

The first step in learning from a salesman is to learn the man himself. Some men are born judges of human nature, but any buyer can measurably develop this faculty. To study a man’s face and eyes, his voice and actions; to get specific statements and put them on cards awaiting proof or denial, are some of the ways which in a few weeks tell a buyer what sellers are accu-



rate, business-like and square. Sales stories that leave the haphazard listener confused bring interesting facts to the buyer who tabulates the talk. Try to repeat your own story and you will see how six versions of a buying proposition serve as counter-checks on accuracy. Moreover, in casual conversation, character quickly shows. The buyer cannot afford to neglect acquaintance with his selling friends. Frequently, he can also supplement personal judgment with simple tests of the seller—a strategic short cut to knowledge.

**S**ALESMEN possess a mine of valuable information about the goods they carry—how the tactful buyer draws on this to supplement his own knowledge.

It was a salesman who recently instanced this fact. He had handled stiff hats for a decade and was now putting his savings into a haberdashery in his native town. Through his road experience he had become an expert in hats. In some other lines, however, he was like a cow-puncher in a locomotive cab.

A salesman appeared one morning and opened with his tactics in a masterly way. His jobbing house was well located to handle the haberdasher's trade and the latter saw that his relations with the salesman might be constant. The traveler had an extraordinary fund of information, but it meant nothing until the buyer knew once for all how to rate it—till he knew how accurate his man was.

"How long have you been handling your lines?" the store man inquired.

"About eight years, most of them."

"You ought to know the goods."

"I've taken considerable pains to," the salesman admitted.

"You know hats?" the buyer insisted. The salesman smiled.

"Well, you say you've got a line there that I can't beat. In the back of the store are samples at the same price from three other houses, and I'm not sure but they beat yours. We'll shuffle the bunch and each pick the best hat without looking at a label."

"If you've got a better bargain than this first one I offered, I'll recommend it," agreed the salesman.

The buyer arranged the test, slipping in two higher grade samples.

"Well," the salesman laughed, after an instant's examination, "here's the best; that's next—both better than mine. If either quality comes at my figure, take it. I don't believe they do."

"How do you judge?" inquired the haberdasher naively. In two crisp paragraphs, the salesman sketched the ideal hat after the buyer's own heart.

"As it happens," the haberdasher rejoined, "I know hats too. But I couldn't swear whether linens and leather are vegetable or mineral.

"You've proved that you know goods and have faith to walk yours on their own legs. What do I look for in linens?"

The salesman saw a chance to score by fairness and jumped at it. He understood that a buyer who demanded concrete information would eventually get it and test it against deliveries. Misrepresentation dropped below par.

At one stroke the buyer had proved the salesman's knowledge, warned him against whitewashing, put him upon his honor and established a basis of mutual respect. Information is now freely exchanged between the two and every idea stands test.

The wise buyer primes himself for his sales interviews by reading and study. He keeps samples at hand. He learns enough to question keenly and to press for exact points needed to fill his data sheet.

**K**NOWING *nothing about a certain line of goods he wished to carry, one buyer secured a mass of information by tactfully questioning salesmen who called.*

How to test goods, distinguish grades, figure costs, recognize values; how to choose profitable fashions and base quantities on sales elsewhere; these are points which the traveler understands but may wish to keep dark. Weight, for example, is often telltale in fixing the cost of stoves, farm machinery, brass fixtures and even uncopyrighted books. The buyer who finds salesmen making these quick tests—displaying this sleight-of-hand—meets the exhibition with a keen eye and the pointed query, “How do you know?”

One clever buyer started from black ignorance and by playing the chief talking points of three salesmen against each other, shortly gained a fair knowledge of plated silverware. To the first salesman the buyer merely named a make of goods. The salesman laughed.

“Why, our spoons will strip a third more silver than that brand,” he replied.

“Well,” said the second salesman an hour later, “the designs we handle include all the big sellers.”

“What about metal—how much silver will your No. 3 spoon strip?” inquired the buyer confidentially. And straightway the seller took on greater deference and talked more technically to this buyer evidently so expert in knowledge.

“You see,” he concluded, “our metal is placed to catch the wear—under the bowl and at the toe of the



spoon. This adds years to its service."

"I see," said the buyer; and twenty minutes later he was talking expertly of patterns, stripping and the placing of the metal to a third salesman who had boasted that the backing of his ware was neither too soft nor too brittle, but a stiff steel core, perfectly adapted to its purpose.

The buyer does not need to take a long step or pretend any thorough knowledge in this work. He can conjure marvelously with the formula, "What about——?" if only he knows a few catch phrases of the trade to fill in the dash. In consequence, every salesman strains to meet competitive talking points which he might otherwise gloss over and all treat the buyer as a man who understands the product.

Novelty samples in a salesman's display stir a swarm of questions along a different line. There is a young college man in a Massachusetts store who turns his back to the light, faces his visitor and artfully leads out along these lines:

"What are my competitors doing with this contrivance?"

"How has it acted at the centers where it first went on sale?"

"What flaws has it developed?"

"How wide and how permanent is its appeal?"

"To what extent is it advertised and how much of the advertising that I pay for would I get?"

"What competition has it, and how do you meet the talk of competing lines?"

"What likelihood has it of going out-of-date?"

"Can you keep me supplied with it?"

"What are the best things I can tell people about it?"

"What are the latest ideas on displaying it?"



The buyer must count forces, nicely adjust his strategy to his opponent's personality and meet aggressiveness with foresight. Often the salesman gives out the desired points freely. Frequently his good nature sweeps him off his feet if you naively take his aid for granted. Samples laid before him may bring a whistle, a smile or a word that means much to one who knows the man. With novelties, it may be possible squarely to let the seller know he can place no innovation without vouching for it somehow. Again, finesse is needed. Follow the salesman's own example; come at him from his own side. Learn of his work, his interests, his territory. Set *him* to talking of *himself* and the conversation will drift to what interests you.

Fortunately, not all buying and selling is conversational sword play. Growing buyers and clever salesmen alike are alive to selling schemes. The small purchaser, who rarely gets to market centers, should especially encourage discussion along this line. He should tour the shops in his salesman's person and ask for opinions on displays and sales; should persuade the seller to watch for adaptable ideas and should show appreciation of every help.

Nowhere are wholesale and retail interest nearer unity than here. The salesman finds the same dusty wares in the window, the same shelves strewn with red calicoes and blue silks, as on his last trip.

"No sales for me," his mind registers automatically. And then he offers some suggestion, which the wise buyer will receive tactfully, however crudely it may be put.

But the chances are it will be the most diplomatic, the most alluring description of a clever window at Missoula or Cairo or Wilkesbarre—"so simple, so easy to

brush up every morning" with a new, clean touch. Or it may be that "snappy bargain scheme down the line" which clears depreciating stocks; that week-end sale which built business for a shop-keeper who was almost bankrupt; the idea Sandman has for livening his store's "insides" every week—any one of a hundred sales winners in six states.

**C**OOPERATION *between buyer and salesman results profitably for both—clever selling schemes and valuable assistance can be secured from the latter.*

No storeman who meets travelers has any excuse for nursing last year's wares. It is too easy to get red-blooded schemes; to draw on the "traveling directory;" to learn the most important point of goods knowledge—how to clear them at a profit.

In many cases the expert factory purchaser completely outclasses salesmen on goods knowledge. But in the unbelievable variety of things which he buys, some are sure to be unfamiliar to him.

A Chicago purchasing agent who for years worked in the steel mills and who now belongs with an office appliance firm, illustrated this point. One important item of raw material, which till recently he bought, was strip steel of very high grade and accurate thickness. So exacting are the requirements that the firm willingly paid fifty cents a pound for the material. Still, however, the metal failed to bend smoothly and seemed unsatisfactory.

Finally the buyer telephoned a steel company which he had noted as good on specials and explained his trouble. The sales manager sent out a salesman perfectly conversant with such grades of metal.

The purchasing agent was able to explain precisely

what he liked and disliked about his material. The salesman came back instantly with a list of the grades available and a minute description of their characteristics under various tests. A thirty-five cent steel was shortly fixed on for trial. It proved entirely fit and has netted a handsome profit.

From another buyer's own press rooms complaints began to come that a certain purchase of paper gave trouble with electricity—with shrinkage between printings on a three-color run—with edges not squared, which could not be fed straight.

The buyer lacked knowledge on these fine points, but in thirty minutes he had brought to his desk a paper salesman who had mastered such situations a dozen times. An hour later the presses were rumbling regularly again and the salesman was back on his beat, grateful for the chance to square himself and the purchasing agent with the latter's firm.

These purchasing agents draw on the expert advice available as freely as they would turn to a banker or lawyer at need. Their knowledge is sufficient that they can reach the right source of information and so get at the definite "points of law" under fire. Thereupon it is easy to build increased goods knowledge and better buying power—both permanent investments.



**THE** buyer's task is to know his demand, to know the sources of supply, to keep track of new goods, and get the best prices. He must cultivate his powers of discrimination; his task is to choose carefully and separate the possible from the impossible, the safe from the unsafe.

—Franklin A. Stote



## IV

# WHEN THE BUYER GOES TO MARKET

By Neil M. Clark

**T**HE general manager of a big department store stopped approvingly before a counter containing a new kind of blouse which had proved immensely popular.

"How did you happen to get hold of this style before everybody else?" he asked the department buyer.

"I keep a card file," said the buyer frankly, "of every manufacturer and jobber I have ever bought from, and when I go to market I visit everybody on my list, big and little dealers alike. The man I bought those blouses from hadn't sold us a bill of goods for six years. His salesmen had stopped calling on me, because he had turned his efforts more or less into the middle West. Nevertheless, I have dropped in at his sample rooms on every one of my New York trips, and the last time he had those blouses. I felt that they were going to make a hit and so gave him an order."

Records such as this buyer keeps are invaluable to every man who visits his markets. Nothing is more dangerous for the man who must keep an up-to-date stock on his shelves, as every live retailer must, than to give up investigating general market conditions. Scant looking, or taking the word of one salesman that such and such is "the very snappiest and most up-to-date"



may lead you to overlook a really worth while article which some out-of-the-way seller is carrying.

A big department store in the East requires each buyer to have a card file of all the possible sources of supply in the larger cities which are visited on the quarterly or semi-annual buying trips.

**SOURCES** of possible supply must all be known to the up-to-date buyer—failure to visit a single dealer may mean the loss of a profitable selling line.

The buyer himself is a man who has received careful training at the hands of an experienced man. He has accompanied the latter as an assistant on several trips, has studied thoroughly the goods in his department and the methods of their manufacture. He has sold the goods on the floor and knows by actual contact with the public just about what his class of customers will buy. When he goes to market he is fortified with his list of sellers; he knows, also, the maximum amount he can spend, as well as the manner in which he must divide his purchases among different classes of articles. At market his big problem is to find the right seller—the man who has the right quality at the right price. If there are several such, choice lies with the man who is known to deliver goods promptly on the contract date, and live up to every word of his agreements.

The first thing the shrewd buyer does is to visit the retail stores which sell his line of goods. He does this to find out what they are offering. These visits are conducted systematically, and the buyer proceeds from the dealers who carry strictly high priced articles to the cheap stores, and back from them to the middle class stores. His purpose in so doing is to find the newest kink in fashions. The aim which the dealer in high

priced goods has always before him is to sell the new thing while it is new, before it has been seized upon by the medium-priced or cheap manufacturers and placed in every store in the country. The eye of the experienced buyer is quick to catch the latest trend of styles in the articles lying on the up-to-the-minute dealer's counters.

When he knows where the fashions tend, by studying the stocks displayed in the high priced shops, the buyer visits the cheapest stores. Here he corrects his first impressions or corroborates them. He also tries to learn whether the late fashions can be duplicated in cheaper materials. If so, he may prefer to buy the cheaper quality, especially if his trade happens to be not the most exclusive. Again, he may be unable to find the right article in the cheap store, but is able to locate it in the medium-priced shop.

This policy of seeing what his neighbors are selling is invaluable for every storekeeper. It freshens his sense and gives him new ideas adaptable to his own business.

"I buy exclusively from salesmen," said the manager of a jewelry store, "but we visit the market several times every year. I have just returned from a two weeks' trip with one of my assistants. It was essentially a buying trip, but we did not place an order for a single article and had no intention of doing so when we left. We went to see what other big jewelry firms are doing, what new patterns the manufacturers are bringing out, what ideas we could pick up by the way. I know it paid."

In the crowd of salesmen who beset the buyer when he arrives at the market, the unwary man is liable to become confused and load himself up with stock which





All the information in regard to suppliers which the buyer requires is conveniently given on Form I. Here, in compact shape, he has a summary of all previous transactions with each supplier; he knows by glancing at the brief notations what the character of each is in regard to service—quality tests and delivery records are his invaluable guides; and his “resource card” tells him also whether the manufacturer is capable of handling a big order or rush re-orders promptly. In other words, he runs no danger of placing a five thousand dollar special order for delivery in ten days, with the optimistic man who is ready to oversell a factory so small that he could not turn out such an amount of goods in less than a month.

**SELECTING** *the right supplier means having a complete record of past transactions with all firms—how quality and delivery overshadow first cost.*

The buyer does not conceal from the seller the fact that he is keeping this tab on him. As a matter of fact, he freely discusses past purchases and shows where he gained or lost. Goods that once failed to move except at reduced prices are a black mark against both buyer and seller. The aim of the buyer is to educate manufacturers and jobbers into an attitude where they are not only willing to give first class service, but are glad and even eager to see that the retailer gets the best there is in quality at the right price. Obviously, the best thing in the market—that is, the most suitable for the purpose—is the most economical, regardless of the price. This is a hard fact to realize, if you have always bought for bargains, rather than to suit your customers. You must know values, and recognize when price and quality are both right to re-sell at a profit.



Shrewd buyers rarely strive to "beat down" the salesman's figure. That kind of man soon establishes a reputation among travelers, and the price which they give him first is always scaled up to a point which will enable them to come down to meet the haggling buyer's demand. This man's bargains are generally such in appearance only. The final price is naturally no lower than that given to your competitor across the street, who knows his market and sources of supply thoroughly and gives salesmen to understand that their first price must be rock bottom. If you haggle into a lower price it will almost inevitably be at the risk of having some undesirable goods palmed off on you, or, since the jobber and manufacturer must have reasonable profit, they will economize somewhere in the service granted the hard buyer.

"I know my sources of supply thoroughly," said one up-to-date retailer. "When a salesman offers me a price which I know I can beat by buying from another firm, I simply drop the matter. Never do I allow him to scale down; and never do I hold the promise of a lower price elsewhere as a club over his head to enable him to shade his figure. My experience is that when a salesman knows you are a positive buyer and must be given the best and lowest figure to secure an order, his best price will be given at once."

Knowing thoroughly all the sources from which he can buy and finding among these sellers the one man who combines excellent service with a fair price—that is the big problem remaining for the buyer after deciding what quality of goods to get. At no place in the purchasing organization does real initiative count so much as in the buying department. The strong buyer will not let himself be induced by the salesman to buy

a line of goods which he would have difficulty in selling. On the other hand, he will not be afraid to take a bold step if his instinct and experience tell him that it is wise. The initial art in retailing, buying is really the foundation on which rests the entire success of the store.



**E**VERY buyer has all manner of temptations thrown in his path. He is invited to dine, to the theatre, to drink, smoke, drive, at the expense of those who wish to sell him goods. He is given a chance to make a few dollars on the side. He is always in line to receive presents sent out to his house or his hotel. He is the subject of keenest study by those who sell. They size him up, A to Z. If he has a weak spot they will find it. And if he has not a powerful personality, his weak spot will show in his selections. He will fail to buy what will sell the best, miss it on quality, or price, or style, or something that he would not have missed it on if his personality had been strong enough to keep the seller at a distance and passed upon his purchases solely upon his own judgment.

—A. Montgomery Ward

Founder, Montgomery Ward & Company

## V

# BUYING EQUIPMENT BY STANDARD

By Harry Franklin Porter, M. E.

**T**HE management of a large plant manufacturing railway equipment had occasion a number of years ago greatly to increase their manufacturing capacity. Large purchases of machinery were of course necessary. Requirements were determined and specifications drawn. Then makers of machinery along the line required were consulted. They sent their representatives to the plant, and for several weeks the purchasing agent was busy entertaining their propositions. When conditions warranted it, a trial order was placed with several different houses for one machine each. The trial machines were installed in the regular machine shop, no other space being available, and a separate motor attached to each. The regular class of work was then performed on each machine and identical tools of the same quality as would be used in regular manufacture used in each case.

About three days' test was run, when the results obtained were tabulated and the power consumed charted. It was then a simple matter to determine who was entitled to the quantity order. The balance of the machines were of course required to be equal to the sample. If any of the other machines also came up to the specification as originally drawn up, they were accepted; otherwise they were returned. The specifications



were then altered to conform with the results of the test for the future guidance of the purchasing department.

To insure that all of the representatives were convinced of the fairness of the tests, they were privileged to attend them and make what suggestions they would. If any required a better grade of workman, however, than the one furnished for the test, he was ruled out.

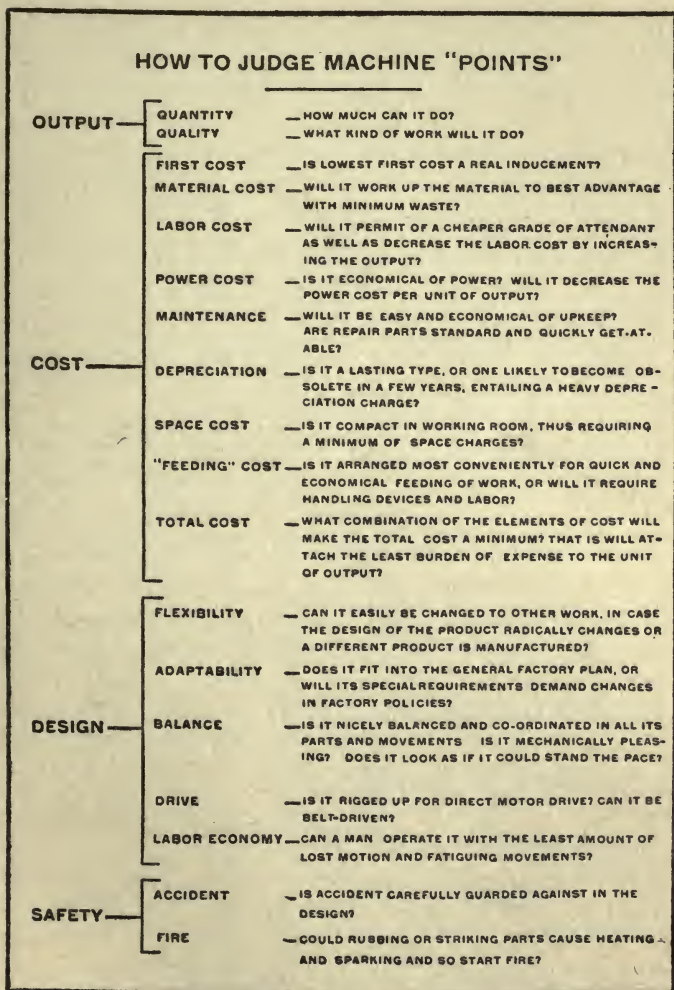
Some fifty to seventy-five various sized drill presses were bought in this way. In the case of the heavier machines, it was not always possible to use this method, but then samples of the work were submitted to the different makers and orders placed upon the basis of the records returned of the quality and quantity performances. Machines bought in this way were required when installed to fulfill all promises in this respect before they were finally accepted.

**S**TANDARDS *and tests are the means used by modern concerns to secure the right equipment—the lowest first price machine may be highest in final cost.*

This was the method one management followed in obtaining tangible data upon which to base their purchases of equipment. Other progressive manufacturers handle this problem similarly. Such manufacturers have the scientific angle on buying—they see that they get value received for their money in the light of all factors involved, among which usually lowest first cost is not the first but the last consideration, subordinate to quality and service. The points they consider in buying equipment are tabulated in Figure VI.

All manufacturers, small as well as large, may take this same angle on the purchase of equipment and appliances, as every progressive manufacturer, small and





**FIGURE VI:** The machine which satisfies these criteria of judgment most nearly is the machine it will probably pay you to buy, even though in first cost it may be the highest of all considered

large, has long since done with respect to material purchases. No progressive manufacturer, at the present stage of industrial development, takes any chances with his glue, or varnish, or enamel, or paint, or wood, or coal, or what not. The day of experimentation is passed. Manufacturers now buy their material on the basis of exact knowledge—not because of somebody's say-so or because some friend is the local agent, or some other man uses it, or on the oftentimes very misleading basis of lowest first cost. The wise furniture manufacturer, for instance, no longer buys nine-cent glue; he has found that thirteen cent glue goes farther and holds better. If higher in first cost, in final cost it is vastly cheaper. Moreover, it saves him no end of trouble in his factory and dissatisfaction on the part of his trade, the money value of which he can measure only indirectly. And to insure that he is getting the best quality glue on the market for his money and that the quality of the brand he has once found the best does not subsequently deteriorate, he maintains a laboratory, in charge of a competent chemist, wherein not only glue but other materials of manufacture and fuel are systematically tested. This, with an up-to-date cost system, which gives real costs—shows what material works up to the best advantage and with the least waste—enables him to purchase on the basis of true economy.

So he buys dimension lumber for as many purposes as he can because he has figured it out that, taking into consideration the elimination of waste—which sometimes runs as high as forty per cent in ordinary lumber—and the reduced number of operations necessary to working up dimension stock, he saves on freight, handling, kiln drying, and overhead on the operations necessary far more than the difference in the first cost. His cost sys-

tem—if it gets at vital factors—will show that to him.

Just as materials are now bought by standards so the progressive manufacturer is buying equipment. What the other man says does not guide his choice. Shop traditions and low first cost are losing ground as determining factors in purchasing. Large manufacturers are establishing testing departments, and smaller factories are making use of a common testing department, the commercial laboratory; for standards are economical. One company has a department for standardizing standards.

Suppose a manufacturer is in the market for motors. He has decided to replace belt drive with individual motor drive. He knows about what horsepower his machines require under the old conditions. He sends his specifications to various motor manufacturers. One tells him a fifty horsepower motor is what he wants. Another states that at least a hundred horsepower motor will be necessary. How is he to know which is right, or the nearer so? He buys the fifty horsepower motor on the confident assurance of the salesman. He finds that it is too weak and throws it out. He may be so disgusted by his experience that he goes back to his old drive and so perhaps for years suffers along under the old, handicapping conditions. I once knew a concrete contractor who allowed himself to be persuaded that an electric hoist was the thing he wanted. So, lacking complete knowledge, he bought and installed the hoist recommended. It cost him about seventy dollars for connecting it up. It worked very poorly from the start, hoisted the concrete bucket painfully slow.

He put up with it for a few days, while the salesman had his man puttering away "trying to see what was the matter." Then, results not forthcoming, he threw it out and put in his old steam hoist in which he had every



confidence, because he knew what it would do. It cost him a lot of money but it would have cost him much more if he had attempted to struggle on with the under-powered motor. If the subject of motor hoists is broached to him now, he has no patience with the idea or with the possibilities of this type of drive. Yet, motor hoists properly powered are admitted to be far superior and more economical than the old steam hoist. If the salesman who sold the machine and the contractor had worked on a more definite knowledge of just what the machine could do, an under-powered motor would not have been installed.

**H**APHAZARD purchases result in big wastes—  
*scientific buyers test and standardize, and aim always  
to find the "one best" machine for their purpose.*

It is this lack of real knowledge of what the buyer has and what the seller wants that is responsible for much waste in equipment buying. Lack of standards has much to do with "hazy" specifications. But if the buyer actually analyzes the "points" of a piece of equipment in its relation to his work, he will buy intelligently.

Many manufacturers still go about the solution of their mechanical problems in haphazard fashion; however, they experiment with this and that make or type of machine or tool, under actual working conditions, until the workshop resembles not a symmetrical, well balanced, carefully co-ordinated, and standardized affair in its equipment, but a veritable mechanical museum.

A concern that was forced to undergo reorganization a couple of years ago was found to have on hand over fifty thousand dollars' worth of unsuitable equipment. Laxity in purchasing was responsible and reorganization was the natural sequence.



The manufacturer who has the scientific angle on this phase of his business, as well as on the other phases of it, goes about the selection of each piece of equipment as carefully as he would his razor or a fine suit of clothes. He sees to it that each machine is the one best machine for the purpose, and if several machines are needed for the same purpose, that they are identical in every respect, so that they will pull together, any one be able to do the work of any other at any time, and that their repair parts are interchangeable, requiring only one extra set, instead of six or a dozen separate and distinct sets. He also sees to it that the machines are designed so that motor drives may be fitted directly to them, in case he happens at the time still to be using belt drive. And he is careful that every machine is properly safeguarded. He will not make the mistake of the man in Wisconsin who bought an unguarded woodworking machine when he was urged to buy a guarded one, because he saved a few dollars on the first cost thereby, but was compelled a couple of years later by state statute to equip all his machines with safety appliances at a considerable expense. In the meantime this man had a damage suit over the loss of a finger on this very machine, which cost him more than a hundred safety appliances. Nor will he make the mistake of another woodworker who paid no attention to taking away the sawdust from his machines, until again the law compelled him to. He will see that each machine he buys or builds is designed with this particular end in view, not because the law may require dustless operation, but because he knows it pays in more than one way so to operate. Experience has taught him that.

Nor does he buy equipment which does not take into consideration greatest economy of labor in operation—

the least lost motion and fatiguing movements on the part of the operators. Too many machines have been built which utterly neglect this point of view. They require the operator to lean over in an uncomfortable position, to do without sufficient light, or to move from one side to another in operating, or reach high or stretch wide to turn on or off the power, when he might do so with his foot, or to use the awkward hand, or to work with a fixed speed when a variable one would be a very great advantage, and so on. The scientifically designed and built machine has had all these things taken into consideration. It can be operated as easily and with as little labor, as a motor car—everything is within easy reach, both hands and feet made use of, and a comfortable posture in working foreseen above all. Progressive manufacturers are designing and buying machines in which these details are thought out.

The relation of the machine to the product it makes must be considered. One manager who bought an automatic machine because he had read it was the thing, discovered after he bought it, that before it would show any economies over the old method he would have to triple his business. Another man bought an automatic to work on such heavy stock, that when he came to figure out his actual costs, he found the waste exceeded the saving on labor. He failed to take into account that, because volume increases as the square of the diameter, beyond a certain point the economy of automatics is largely offset by the greater percentage of waste, and that some other process involving less waste—forging or casting—would be cheaper. Automatic machines often key up the output of a whole department. This is one of their decided advantages.

One foundryman installed, without a careful reckon-

ing, an expensive equipment for mechanical molding. He was carried away by the fact that with this equipment he could get out practically as many castings in the same time with the same complement of men and in half the floor space as by hand. But he failed to give due consideration to the interest and upkeep charges, which proved very heavy, so that when later he installed a cost system which showed up to him the real cost, he found that the labor and space saving was more than offset by the heavy overhead, and that before he could begin to realize any marked economies it would be necessary to operate his plant continuously, day and night. It was not so much the fault of the machine as his methods.

So the investment of money in equipment is a matter for most careful determination. A great many things need to be taken into consideration. There must be exact knowledge about every detail. It must be proved beforehand that the purchase is going to be a wise one. And until purchasing of equipment is put on this basis, it will remain more or less a gamble.



**S**OME stores carry twice the stock they should. I can put my finger on merchants who have goods that have been on their shelves six or eight years. And when they invested some of their earnings in this stock, they credited Profit and Loss with what they considered net. This is the sort of policy that inflates a business like a balloon. It may look like a solid, dependable mass, when in reality it is largely gas. These merchants simply deceive themselves by this policy.

—Benjamin F. DeMuth  
Founder, DeMuth & Company



## VI

# HOW TO AVOID PITFALLS IN BUYING

By Fred Cook

**T**HE merchandise manager of an eastern department store, when visiting other stores or when with salesmen and buyers of other houses, is always much more keen to learn the mistakes that others have made so that he may avoid them, than to learn the successful buying ideas of others that might be adaptable to his methods. He maintains that this policy is profitable because he does not want to get the habit of looking to others for excellent ideas. He says that knowledge of the mistakes of others enables him to strike out from the "beaten path" with a greater degree of safety, while his lack of the knowledge of the successful methods used by others gives his vein of originality a clearer field. He gives cautious originality the "blue ribbon" as a business-building factor, while imitation, he says, never fails to draw the "booby" prize.

This man makes mistakes, but he qualifies the frequently expressed thought, that it is excusable to make a mistake—once, with the idea that it is not so excusable when the same mistake has already been made by others. His revised statement of the idea is this: "It's often excusable to make an original mistake—once."

This seems to express a good slogan for buyers in general, because buying is such a personal, individual



process and has such basic responsibility in building a business, especially retail, that here originality is at a premium. Many buyers would not consider some of the following anecdotes to be in the "excusable" class of mistakes, as defined by the merchandise manager just quoted, yet their mistakes illustrate violations of some of the cardinal principles of good buying.

**B**UYING *to suit personal tastes instead of trying to suit customer wants was a stumbling block in the way of a dealer in crockery and fancy goods.*

"The greatest mistake of my business career," said a dealer in crockery and fancy goods, "was made on the buying end. In selecting my opening stock I went entirely by my own personal tastes, buying goods to sell the same as I should buy goods for my own use. I thought that was quite a wise buying policy, never realizing that other people's tastes might be different, until I tried to sell the goods. Let me illustrate with a specific instance:

"The salesman and I were looking over a line of tumblers when he handed me a green and gold one with the remark, 'Here's one of our best sellers; pretty nifty, eh?' I didn't think so. Altogether too flashy. Personal taste, you see. No consideration whatever for the fact that fully one-half of my customers were not so conservative in their tastes.

"I didn't buy that tumbler and I turned down most of the suggestions this salesman gave me. All through the line I selected modest colorings and sober hues and congratulated myself that I had a finely assorted stock of high grade goods.

"The first week's sales showed up my ignorance of the public's taste. Time and again my clerks came to

me with the information that one customer would like a berry dish with a heavy gold band, and another customer wanted a green plaque ornamented with bright pink roses.

"I was stubborn at first and defended my selections, arguing that I was right and the customers wrong; but ultimately I tumbled to the truth of the axiom that business is not art, and that when buying to sell you must keep in mind the varying tastes of your prospects. It may offend your aesthetic sensibilities to stock salad bowls decorated in purple and yellow, but if your customers want them it's decidedly poor business policy not to put them in.

"This same principle applies also to the price of goods. Personally I have always been a crank on quality. If I buy an article for my own use, I want the best, almost regardless of price; but with more than half of the consuming public, price is the unanswerable argument.

"So I have learned to stock both cheaper goods than I should buy for my own use and goods of patterns and styles that offend my taste, because the great buying public wants them. I have learned to buy for my customers, not for myself."

*FINDING the kind and style of goods desired by his customers was the way a retail clothier succeeded in solving his problem of persistent over-stocks.*

Until he tried out a new plan of buying, a retail clothier in one of the smaller eastern cities found himself with too large a stock of unsold suits on hand at the end of each season.

To correct this fault in his buying, he devised a plan to select his patterns and colors according to his customers' judgments rather than his own. Before placing

his orders, he mailed samples of the coming season's most attractive styles and weaves in the prevailing shades of browns, tans, or grays, with the range of prices marked on each. A letter, with a return postcard, accompanied the samples and the customer was offered a discount of five per cent when he bought his suit if he would fill in the number of the sample he preferred.

The returns he received enabled this clothier to determine his customers' preferences with much greater accuracy than in previous seasons. One result was that his "leftovers" were reduced by fifty per cent; another was that the five per cent discount attracted many new customers and turned scores of intermittent buyers into "regulars." The greatest advantage of all, however, came from the increased efficiency of his stocks. Knowing the approximate measurement of nearly every man in town, he was able to select an assortment of sizes which more closely corresponded to the requirements of the trade.

**C**HANGING locations, a grocer attempted to carry over the line of goods he already knew—he quickly learned the difference in customers' wants.

"In the course of my business career," said a grocer, "I have changed locations twice. In making my first change I made a serious mistake that I was able to profit by when locating the second time.

"My first business was located in a town of about two thousand, and when for various reasons this town went flat, I hunted around for a new location. I finally decided upon a town of about the same population, which was enjoying a large volume of business. Up to the time when the first town had started the toboggan act, I



had done an unusually good business and I flattered myself that my methods and my stock were right.

"When it came time to buy the stock for the new town, I looked about and decided that the two places seemed identical in size and conditions. I ordered, therefore, what was practically a duplicate of my old stock, even sticking to the same brands.

"I hadn't been open many days before I saw my mistake. 'Silver' soda might have been a big seller in my town, but here 'Blue Ribbon' had been the favored brand for years. You couldn't give away my pet brand, although I knew it was the equal or superior of 'Blue Ribbon.' And so it went in many other lines. Of course it didn't take me long to see the mistake, but it took time to work off the undesirable goods.

"When, in the course of time, I found an opportunity to branch out in still another place, I made it a point to visit other grocery stores in the town and carefully note the brands they sold. I opened up here with the assurance that I had what consumers were accustomed to buying—and I started business with a rush."

**O**VER-STOCKING *was a dry goods merchant's mistake—he now makes out a definite budget, and is careful never to overstep the limit he has set for himself.*

"I made one big buying mistake that nearly cost me my business," said a dry goods merchant who now owns a large store.

"In fact, it was really the culmination of a series of mistakes, but they were all of exactly the same kind. Four times annually I went to market, and bought the bulk of the goods I used for the entire year. I was never a conservative buyer. There was just a tinge of the spendthrift in my blood that crept into my business



dealings as well as my personal affairs. When I saw a large display of silks and satins, I was tempted to order the whole lot. I nearly always ordered more than I needed—much more than I had originally planned to buy.

“One fall when my shelves were already groaning beneath over-stocks, with many of the bills long past due, I made the usual trip to market with a determination to buy light. I finally decided a certain sum would be my limit.

“When the invoices arrived I was amazed to find that they totalled more than double that amount. Before long I was almost hopelessly tied up and it was only by conducting a big sacrifice sale that I escaped bankruptcy. When I got on my feet again I resolved never to buy another cent’s worth of goods without a memorandum.

“Since then I have followed that resolve to the letter. Before I leave for market, I have a carefully made buying budget with limited appropriations for each line. As I buy I jot down the quantity and price, and make the extension. Frequently I add up the column. When I reach the amount of the appropriation, I stop buying. If I’ve overreached myself, I strike out the least necessary items or cut down quantities.

“Over-stocks of merchandise have never embarrassed me since I learned my lesson.”

**F**AILURE to get novelty goods on time lost trade for a haberdasher—how a hustling competitor taught him to rely more on the tactics of the “plunger.”

“My biggest buying mistake,” said an old-time haberdasher, “was quite the opposite of most buyers’ troubles. In fact I made it by trying to steer clear of the common mistakes of the plunger. I carried a very complete stock

of staples but I always shied at the novelties. Even when they looked like winners, I was afraid to stock the new things which hadn't proved themselves solid with the trade.

"Right across the street was a young fellow who was just my opposite in this respect. As soon as anything new began to be heralded in the magazines, it would find its way to his shelves. More than that, he stocked a quantity of high-priced goods—stuff that I believed was too expensive for our locality. I prophesied an early crash and was looking for the sheriff's tag on his doors; but somehow these doors were always wide open bright and early and nearly always a crowd could be seen within. Pretty soon I realized that the youngster was cutting heavily into my trade, even getting customers who had dealt with me for years. Then I woke up.

"I stocked the novelties too, and kept them coming regularly so that something new of interest would greet a customer at every visit to the store, no matter how often he came. Results? Well, let me say that there's nothing like new stock to stimulate sales. If you're ever tempted to be ultra conservative, remember my case."

"The quantity bug stung me in my first year's buying," remarked a general merchant who is now doing an annual business of about one hundred thousand dollars. It was easy to figure—and let salesmen figure for me—that a saving of twenty cents a case on an article gave me an extra ten spot, if I should buy fifty cases.

"So, where I should have been buying dozens, I was buying cases, and where I should have bought a single case, I was buying five or ten. To protect myself from almost sure advances, I would often book up even heavier upon the tip of charitable salesmen who were always anxious to protect me. But my capital was limited, so

that I soon awoke to the mistake I was making.

"I had so much capital tied up in surplus stock that I had to sacrifice variety. Had I carried half this surplus I should have been able to double on my variety and so double my chances of making sales. More than that, I lost fully as much in discounts as I saved on quantity purchases. One day I soberly figured out the whole proposition, saw that I had not been taking into consideration the extra insurance which large stocks made necessary, nor any of the other disadvantages I have mentioned. On the spot, I resolved to change my system.

"I have been buying in smaller quantities now for several years and this is one of the chief reasons why my business has grown and prospered. Larger sales, less dead stock and fewer risks have resulted. More than this, I believe that advances which have occurred have always been balanced by slumps, so that I have purchased my stocks quite as cheaply as though I had bought in large quantities."

**D**EALERS can educate their customers—a grocer taught his trade to want different brands of goods—how he finally concentrated his selling efforts.

"When I started in business," said a Wisconsin grocer who is considered a shrewd buyer, "I stocked three brands of flour, a high-grade spring wheat, a blended flour and a winter wheat pastry flour. Each was as good as any of its class and my flour trade started out briskly.

"Soon a salesman induced me to add another brand. In a few weeks I got a reduced price on a competing brand and stocked a few barrels on that. And so I kept on adding new brands. I found in time that I had



made a vital mistake in making these shifts. Each time I bought a new brand, at least one or two customers took a fancy to it and made up their minds that it was the best they had ever used. When I tried to switch them back to one of my older brands they objected. I had split up my trade into six or seven different factions, each loyal to a particular brand. That meant, of course, that I had to stock all of the six brands in order to do the same business I had been doing before with three. More than that, it was necessary to buy respectable quantities of each kind in order to get the right price and satisfactory deliveries. So I really had to carry double the stock I needed.

"Today I carry a complete variety of everything in my line, but as few brands of the same quality as possible. I have my trade lined up solidly for certain brands that we both know are right. By avoiding foolish duplications I have a nice little reserve fund that is working for me in another field and paying me well. Too many merchants are making my first buying mistake and are carrying twice the stock they require because they buy too many duplicates."



**NO** WORD in the vocabulary of business is more pregnant with significance than that one word "quality." You may apply it to goods, to service, to ability; this one truth is universally the same—no extravagant assertion of present advantage, no false logic of economy can long make headway against down-right merit in merchandise or man.

—Edwin W. Moore

President, The Electric Cable Company



## PART II—SYSTEM IN THE PURCHASING DE- PARTMENT

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### *What Customers Want*

GET the customer's idea. Give him what he wants. If you haven't got it, get it for him. Willingness to adopt the buyer's point of view I have found to be the most effective way of building a business.

Nine times out of ten the customer knows exactly what he wants. Suggestions intended to make him change his mind, and offers to substitute, even when substitution seems to be to his best interest, are often mistakes. Unless the man behind the counter is in complete possession of the buyer's plans, advice leads to argument, and argument to irritation. An irritated customer is a lost customer.

Keep a variety of stock. At the start, when capital is limited, such a plan may seem difficult to follow, but the man with the courage to hold to a few leading lines, well stocked, until his business justifies further expansion, is the man who will win. Make your store the place where customers get what they want. Let them select.

*J. D. Louman*



J. D. LOWMAN

*President, Lowman-Hanford Company and Former  
President, Seattle Chamber of Commerce*

## VII

# SHORT-LINE METHODS IN RETAIL BUYING

By Neil M. Clark

ONCE the buyer has decided what to buy and where to place his order, his system comes into play to help him secure correct deliveries and secure them promptly. If he has final say as to what shall be purchased in his department, a requisition need not be used. If, however, the approval of some one higher up is required, the buyer may place a preliminary requisition with the manufacturer, with the understanding that the latter is to receive a confirming order bearing the signature of the manager or other proper official.

Such a system is used by a successful department store. It uses two forms, each made out in multiple. The buyer's requisition (Form I) is made out in triplicate. The first copy is handed to the salesman or sent to the manufacturer. The second remains bound in the buyer's book as his permanent record. The third copy is attached to the regular confirming order when the latter is sent up for approval.

The confirming order (Form II) contains exactly the same information in regard to goods required as the buyer's requisition. In fact, the buyer himself copies the information to it from his requisition copy. This form he sends to the merchandise manager for approval.

There are five copies of this order. If the purchase





**FORM II:** Five copies are made of the confirming order, which bears the signature of the approving officer and is the seller's warrant for filling the order previously handed him by the buyer

The fourth copy of the purchase order remains in the buyer's book. The fifth is peculiar to the system of this store, which has a New York office where all orders are kept on file. This last copy is sent to New York when the first is sent to the manufacturer.

**P**URCHASING *routine in the retail store that leaves no loop hole for the contract-evading supplier—inventory methods and order blanks in actual use.*

Inventories are always an invaluable guide for the buyer in knowing how his stock stands, and whether his purchases in the past have or have not been wise. In this store inventories are taken in a single night. A perpetual inventory keeps track of increasing or decreasing stocks; but the actual count is made periodically to correct the errors which naturally creep into this sheet.

Three persons are necessary for the taking of inventory in each department. The first writes the details of stock on Form III as the second calls them off, recording quantity, name or number, cost and selling price of each article. The third person is the firm's representative, so-called, and he is responsible for the return of every inventory sheet at the close of the count. He merely watches the inventory-taking to see that it is done properly. He is responsible for the work of all three.

Each one of these inventory sheets is numbered, and its value is placed at \$100,000, since the loss of a single one may necessitate the complete retaking of the inventory. Therefore, the firm's representative must return all his sheets to the accounting department in a sealed envelope, whether they have all been written on or not. The envelope bears the number of the department and the signature of the firm's representative certi-



fying that no sheet has been misplaced. This actual inventory is checked against the perpetual inventory. Small variations are expected, because it is next to impossible to keep a large stock of goods with absolute accuracy; but a large discrepancy calls for a recount in the department concerned. The second actual inventory is considered final.

In a smaller concern, a retail jewelry store, Form IV is used for all orders, and combines in itself both the buyer's requisition and the confirming order of the department store. Three copies of this order are made.

INVENTORY SLIP							
DEPT. _____				NO. 927			
MODEL NO.	ARTICLE	QUANTITY	COST	RETAIL	COST EXTENSION	RETAIL EXTENSION	
			PER PIECE UNLESS OTHERWISE SPECIFIED				
COUNTED AND CALLED BY _____ ENTERED BY _____ CHECKED FIRM'S REP. _____							

*FORM III: Each inventory slip is given a nominal value of \$100,000, since the loss of a single one may necessitate the retaking of inventory in all departments*

The first goes to the seller; the second remains in the department order book; and the third is sent to the receiving department, where it is checked against the invoice and the goods when they arrive.

One interesting and valuable feature of this system is that the shipping labels are already made out and at-



[illegible]

tached to the order blank. The company's goods are all shipped by mail or express, being small in size and extremely valuable. Notice that the shipping label contains the order number; this makes it easy to identify shipments when they arrive.

To be valid, each order must bear the counter-signature of a member of the firm. Orders are not so numerous that one man can not inspect them every day in a short time.

"We have tried a good many systems," said one of the members of this firm, "but our present order book meets our needs better than any of the others. We have been using it for four years, and in that time have not found it necessary to make more than one or two slight changes in the forms."

Correct order routine means correct delivery. An order placed and accepted by the seller becomes a liability of the concern which buys and that concern must, therefore, keep as accurate a record of goods en route as of goods already in the store. Right system in the mechanism of purchasing wins the respect of the seller, and is a great help in getting the right goods at the right time.



**T**HE great are few, the mediocre many, but the few who have scored highest in the business game are the men who have built on "quality."

—Edwin W. Moore

President, The Electric Cable Company

## VIII

# HOW THE SUPPLY BUYER WORKS

By Neil M. Clark

**S**UPPLIES are an item whose purchase may result in big wastes or savings, according to the character of the man in your organization who does the supply buying. A careless man will inevitably allow little leaks to creep in, while the conscientious man will frequently save many times the amount of his salary. Pencils, pens, rubber bands, filing cases, report blanks—all the incidental items so essential to the smooth running of the office, store or factory, will offer any number of opportunities for the wasted nickel to become the lost dollar, unless a careful watch is kept along every avenue of expense. Constantly on the alert, watching the machinery which insures the smooth working of office or store, the supply buyer also frequently has the opportunity to improve the quality of service.

A new buyer coming into a large department store in the East found a heavy and fairly expensive grade of wrapping paper used in one department. The buyer found it impossible to secure a sufficiently durable quality at a cheaper price. He therefore searched the market for a paper possessing the same weight and quality, but having in addition some peculiarity to make it distinctive. He discovered a paper which, besides being heavy enough to meet all needs, was also water-

proof. By substituting this for the old style of wrapping paper, the supply buyer added a distinctly new quality to the store's service.

Savings in supplies must come, if at all, from a proper purchasing organization and a mechanical system which takes care of the routine work of fact-gathering. The supply buyer ordinarily requires four kinds of information. When an article is called for, he must know what department or individual desires it; what companies sell it and what quotations or catalogs of theirs are on hand; what purchases of that article have been made in

REQUISITION FOR SUPPLIES	
DATE _____	
DELIVER TO _____ DEPT. _____	
AMOUNT	NAME OF ARTICLE
SIGNED _____	
ORDERS FILLED _____	

*FORM I: The requisition for supplies which the stock clerk must receive before anything leaves his department does away with petty wastes which otherwise are likely to creep in*

the past and at what price; finally, if the article or a substitute is ordinarily carried in stock, what the balance on hand is.

The stock clerk must receive a requisition (Form I) before he can deliver articles to any department. Ordinary supplies, such as pencils and standard blank forms



which are being called for constantly, are kept on hand in quantity lots. The stock record card (Form II) keeps track of the amount of each kind of supply, and by comparing the balance column with the minimum limit, the buyer learns when to re-order.

**METHODS,** *blanks and tactics used by the clever supply buyer to effect savings and always have the right kind of material on hand when called for.*

Another method used by the supply purchasing agent of a large electrical concern to keep track of standard supplies and the proper time to re-order, provides for detachable bin tags (Form III) of two colors. A third tag (Form IV) is tacked on each bin. It gives the number and description of the material which the bin contains, and also maximum and minimum amounts allowed.

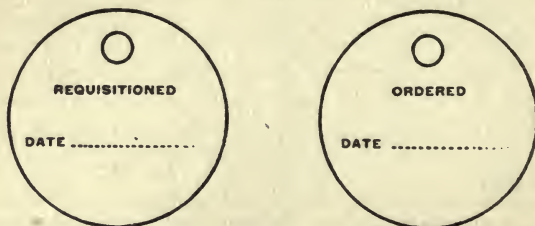
Every week the stock-keeper goes over his stores and reports the amount of each kind of material that is left. When any bin has reached the minimum limit, he sends in a purchase requisition to the supply buyer for the maximum amount or whatever conditions warrant. He places the red tag marked "requisitioned" (Form III) on the screw-eye over the bin and notes the date. This tag tells him automatically, without his having to look through his files, that he has placed the necessary requisition. In a day or so he receives a duplicate of the order, if the matter has been brought properly to the buyer's attention. The stock-keeper then replaces the red tag with a blue tag marked "ordered" (Form III). As soon as the goods come in, the blue tag is also removed and the stock-keeper need not worry until the minimum limit is again approached.

This system forestalls the possibility of supplies falling short at critical times. In passing the bins the



ferent firms, and a few test orders, will soon teach him where he can purchase in a really economical way.

The supply buyer often has a chance also to standardize throughout the establishment in such a way as to reduce total cost. A department store found that it was using several kinds of stock record sheets in different departments. Each department manager had suited his own fancy in the matter, and the printing bill consequently was much larger than it should have been. A little investigation convinced him that one form would answer the needs of several of the departments. He consulted the department heads and succeeded in working out a single form which was suitable for several of the departments. Besides the first cost of printing, there was also a saving due to the fact that the new forms could all be bound in one book form; whereas



**FORM III:** *The stock clerk hangs a card like that at the left over the bin when goods have been requisitioned; when they have been ordered, he replaces it with the card at the right*

before it had been necessary to have a separate style and size of binder for each department. Wastes of this sort can often be caught and stopped by the careful buyer.

On special supplies—articles which are required infrequently—the buyer may have no information in his



files. The speediest way of getting pointers in such cases is to consult several salesmen. The supply buyer in a western factory uses this method when he needs an out-of-the-ordinary article quickly, and knows nothing about his sources.

**S***SPECIAL supplies are frequently demanded—how the buyer gets information on them—buying quality rather than trying to secure initial low price.*

“If I got a call for saddles,” he said, “I should immediately call up a man who uses saddles and find out who he buys from, as well as the suppliers he knows of. Then I should call in the salesmen from those houses and talk with them one at a time. In a very short while I should know the good and the bad points about saddles, simply from listening to what the different men had to say in praise of their own lines against certain other makes. If one man says, ‘My saddle is just as good as Pearson’s and the price is lower,’ and

NUMBER _____	MAX. _____	MIN. _____
DESCRIPTION _____		

*FORM IV: The “bin tag” is tacked over each bin, and shows the fixed maximum and minimum limits for that kind of material. When the minimum is reached the stock clerk requisitions the maximum amount*

another says, ‘Pearson has a good saddle, but his stirrup can’t compare with mine’; I soon recognize that Pearson must be the standard man in the saddle business, since every other dealer wants to convince me he is the equal of Pearson.”

In many businesses, printing is a big item; and some



firms find it easy to save here, especially when they have large lots of standard forms or circulars which do not need to be put out as a rush order. Price alone is not what the efficient buyer is seeking. He is looking for the quality which best suits the needs of the user. In the letterheads of the business house, there is no economy in trying to make a cheap writing paper do the work of a grade which better represents the house.

"Recently I had to place an order for two hundred thousand circulars," said the buyer in a mail-order house. "I had had the same job done before at the rate of \$2.10 per thousand, which would have made the total cost on this lot \$420.00. I got in new bids, however, and they ranged as follows:

First .....	\$150.00
Second .....	195.00
Third .....	290.00
Fourth .....	420.00
Fifth .....	475.00

"These estimates were all from printing houses whose work I had tested again and again. I knew I would get my money's worth wherever I placed the order. The question then resolved itself into, how much do I want to spend?

"I wanted a \$420.00 job; but I took a chance on the third bid of \$290.00, thinking I might save and still get satisfactory work. That was, pure and simple, a blunder on my part. When the job was done, however, I saw my mistake. Half of the two-color illustrations were nearly an eighth of an inch out of register. I had what I paid for; but I had not bought what I wanted. I wanted a \$420.00 job. I saved \$130.00 in money, but nobody knows how much the firm lost by sending out circulars that were not strictly up to the mark."

Thus the supply buyer is continually watching the corners. He is convincing the man who demands supplies that something a grade cheaper will suit his needs as well as a more expensive article. On the other hand, he sometimes has to convince others that what they wish to order is not of a sufficiently good quality. He has his eye on the markets and a thousand strings lead to his desk from the desks of as many suppliers. He is saving dollars, if he is efficient, at the point where necessity shades into luxury. Not primarily a bargain hunter, he is nevertheless interested in knowing the lowest price for the best material that is suited to the odds-and-ends needs of the business machine.



**YOU** can never accomplish anything permanent in business by loose tactics that are grounded on chance. You must have system. You must aim at a definite target. You must shoot straight and not in the air. Every part of a business machine must fit perfectly. It must be adjusted according to a set plan.

—A. Montgomery Ward  
Founder, Montgomery Ward & Company

## IX

# FACTORY PURCHASING BY MINIMUM STOCKS

By F. B. Johnson

**T**O HANDLE the many details of a purchasing department with the accuracy necessary in such work requires a definite, coherent plan of ordering, filing and recording. No half-way methods are in any sense available, for prices must be definitely kept in mind and deliveries hurried in on the desired date.

A system for expediting the work of the purchasing agent in any large business must be essentially practicable, and it is such a system, already found successful in a large concern, that is here described. At the outset, to make the general scope of the system clearer a brief description of the size of this concern and its scheme of organization will be found of value.

The concern is engaged in the manufacture and direct sale of certain articles made of wood, paper and steel, and its business has grown from a very small beginning to large proportions; it is organized on the sales side first by large geographic divisions, each under the charge of a central office, the manager of which has entire control over his territory and is responsible only to the directors of the concern at the home office.

On the manufacturing side it is divided into a number of factories, located in several towns which are, with two exceptions, at quite a distance from the home office





bracing in its scope both raw material and manufactured product, has rendered the emergency purchase an infrequent occurrence involving only comparatively small expenditure.

**F**ACTORY *purchasing methods which assure each department of always having on hand goods as they are needed—requisition and order blanks required.*

All requisitions for the purchase of raw material and factory supplies originate either from the store-keepers at the various plants or from the foremen, but the requisition blanks made out by the foremen (Form I) do not go to the purchasing agent. All requisitions on the general store-keeper or purchasing agent for material for any factory, whether the need originates in the store-house or in the shop, are made out by the local store-keeper at the factory where the material is to be used (Form II). These requisitions are then approved for quantity and date needed by the superintendent in charge of the factory in question and are forwarded to the purchasing agent's office through the general store-keeper's hands. Only such requisitions as the general store-keeper cannot supply reach the purchasing agent in their original form and these are marked to show that the general store-keeper cannot fill them. A requisition which the general store-keeper fills does not go to the purchasing agent but to the cost and accounting department instead.

All requisitions, originating at any factory or store-house, are made out in triplicate on blanks of uniform size and form, and numbered in triplicate; a different color is used for each factory. Foremen's requisitions on local store-keepers are made out in duplicate, or singly as the various foremen prefer. Each of the re-

quisitions bears (to save writing and for cost account purposes) the name or number of the department in which it originates and to which it is charged in the cost department. If chargeable to any manufacturing order it bears a notation to that effect.

The local store-keeper collates each day the foremen's requisitions which he cannot fill, so that he may not send to headquarters two or more requisitions for small quantities of the same material. He also compares them with his file of foremen's requisitions (covering material he has requisitioned but not received), so that he may not requisition any material that may not be needed. This

TO			
PLEASE FURNISH		DATE	
PURCHASE ORDER NO.		REQ. NO.	
		SHIPPING INSTRUCTIONS	
PRICE	F.O.B.		
PROD. O. NO.	SHIP O. NO.	A. T. HUTCHINS & CO	
PLANT O. NO.	STAND O. NO.		
FOR		PURCHASING AGENT	

**FORM III:** *The purchasing agent's purchase order is made out in quadruplicate; the copies, other than that sent to the seller, are retained for the tickler and general files*

means that he files alphabetically by name of commodity all foremen's requisitions which have been transcribed by him to his own forms. He notes on these foremen's requisitions the number of his own requisition on the general store-keeper.

When a requisition is made out by a store-keeper the original is forwarded to the general store-keeper, if covering material commonly supplied by him, but otherwise direct to the purchasing agent. The duplicate is retained and filed by number while the triplicate is retained and filed by date wanted, as a tickler for following up the general store-keeper or purchasing agent. The requisition number is used in all correspondence regarding any requisition.

The general store-keeper at the central store-house fills from his own stock all requisitions that he can; when he cannot fill a requisition in full but does fill it in part he treats it as the local store-keeper treats a foreman's requisition, except that he files it by number, pending the arrival of the goods; if he does not fill any part of it, or if the goods are to be shipped to a local store-house direct from the vendor he forwards the local store-keeper's requisition to the purchasing agent with his own memorandum that he cannot fill it.

The purchasing agent in placing purchase orders bunches on one purchase order as many requisitions as possible for the same kind of material. Each purchase order bears the numbers of all requisitions covered by it and each requisition bears the number of the purchase order which covers it, also the name of the vendor from whom the material is ordered. In the purchasing agent's office requisitions are filed by number pending receipt of notice of arrival of goods.

All purchase orders are made out in quadruplicate or quintuplicate (Form III). The original is sent to the vendor, the duplicate is retained and filed alphabetically by the vendor's name, the triplicate is sent to the store-keeper who is to receive the goods, and the quadruplicate is retained and filed in a tickler. The quintuplicate (if



used) is for the information of the cost department, especially valuable for charging to the plant investment of each department any items of permanent equipment, and for charging to shop orders the cost of material ordered for use on them.

When material has been ordered the store-keeper who is to receive it is sent a copy of the purchase order covering it. If the material does not come in on time he notifies the purchasing agent of the delay.

When the goods are received by any store-keeper the packages are easily checked up from the purchase order. If only a partial delivery on the order has been sent, he notes the receipts on the back of the order and reports

REC'D FROM		DATE	PURCHASE ORDER NO.	
QUANTITY	DESCRIPTION		CONDITION	
DELIVERED VIA		CHARGES PREPAID	AMT. OF CHARGES	PAID
PUT IN STOCK?		RECEIVED BY		
DELIVERED TO?				

*FORM IV: If the store-keeper receives only part of his order, he makes out this partial delivery report; he makes a final report on the back of his copy when delivery is completed*

his receipts on a partial delivery blank (Form IV), making a final detailed report on the back of his copy of the order when the delivery is completed. The tickler copy of his own requisition may then be destroyed and the other copy filed by number.

When the purchasing agent receives the notice of a complete delivery he files it with this purchase order of



the same number, pending the arrival of the invoice, approves it, if everything is O. K. as to price and quantity, and forwards it to the auditor for his approval. He then files (by order number) the copy bearing the report of delivery and files (numerically by vendor's number) the duplicate copy which he has been holding in his alphabetic file of unfilled orders. Before filing, each copy should be made to show in full the price of the goods covered by it. His copy of the local or general storekeeper's requisition he files by requisition number.

The cycle of operations is now complete; the system has provided for furnishing all the information desired at every step of the way and no unnecessary papers have been filled out or filed. Every paper, either in the current or temporary file, has been accessible instantly from the natural point of approach, and every paper placed in the permanent file is likewise accessible in a similarly natural manner with no false steps and no delay.



**T**HE most essential possession of any person seeking credit, or anything else worth while, is character. Having this, one may not only seek but readily achieve success.

The late J. Pierpont Morgan, who was a masterful judge of man, said a short time before his death, that integrity is the one essential thing in business; that he would lend a million dollars to a man of integrity without collateral, when he would not lend, on government bonds, a dollar to a man without character.

With no other asset but integrity of character any man of business may gain the confidence of his banker. And confidence is the basis of all credit. The word itself means faith or belief.

—J. T. Talbert

Vice-President, National City Bank of New York

## X

# ADAPTING A PURCHASING SYSTEM TO YOUR BUSINESS

By Sumner B. Rogers

Production Manager, Sangamo Electric Company

ONLY within recent years has the purchase requisition become a part of the general purchase system. Even in small businesses at the present time, where the superintendent or one of the partners acts as purchasing agent, the use of requisitions is dispensed with and the purchasing order in this case acts as a requisition also. In other words, the department requisitioning the material fills out the order which the purchasing department translates into trade language. Often the purchasing requisition does not constitute a principal part of the general system. It is used primarily to facilitate transactions between the purchasing agent and the factory or store-rooms and this purpose is usually accomplished as soon as the goods have been ordered and received. It also acts as a reminder in case the purchasing department fails to give the matter the necessary attention.

Probably the principal departments in which such a form will be used in a medium-sized factory are the stores and maintenance departments, foreman's and general offices. It may be used any time supplies are necessary, and it may originate from any of the departments mentioned. However, it should not be used as a receiving report, which is sometimes done. Now, since it may

originate with almost any one, the form should have a space for the approval of a department head.

The purchase requisition is used only as a reminder and is not permanent. Therefore, under ordinary circumstances it need not be filed after acknowledgment by the purchasing department, but can be destroyed. For this reason, the form may be printed on reasonably cheap paper, possibly in pad form. The service the requisition will perform is limited and need not receive much attention. The paper need not be of an expensive or durable quality, and usually no color scheme is necessary. Sometimes, however, one red copy is made which is forwarded to the purchasing department by the originator when no apparent action has been taken upon the original requisition.

**D**ATA which needs to appear on the purchase requisition—how to draw up a form which shall be most efficient and most fully meet all your needs.

Generally the following information should appear on a purchase requisition: the requisition number; date; to whom sent; how material is to be used, in conjunction with what job, order, item or work; when wanted; quantity; description of the material; where to be delivered; who originated the order; space for purchasing department to specify purchase order on requisitions before returning, and such other items, depending upon the specific requirements.

Regarding the sequence of information, the title of the form, "Purchasing Requisition," should appear first. Unless the form goes outside of the plant, the name of the company need not appear, but in case the factory mails the form to a general office in another location, it is well then to have the firm name printed on the form.



The next item of importance is the destination of the form, such as "To Purchasing Department." This should follow with a general description of the materials required, for such and such a job or order, and so on. Then ample space should be left for the material requisitioned. Following this, spaces should be assigned for the place of delivery; date wanted; person who originated the requisition; space for approval; space for purchase order assigned, and so on. The items of promi-

REQUISITION FOR OUTSIDE MATERIAL	
TO PURCHASING DEPT. _____ DATE _____	
QUANTITY	DESCRIPTION
<p style="text-align: right;">WANTED BY _____</p> <p style="text-align: right;">APPROVED _____</p> <p style="text-align: right;">DEPT. HEAD</p>	

*FORM I: The purchase requisition reduced to its simplest terms is here shown. It is handed to the purchasing agent, and if he approves, the purchase order is then made out*

nence should be the title, the destination instructions, the place of delivery and the date wanted; also the purchase number assigned.

Consider the balance and appearance of the form, but not at the expense of any of the necessary items. The



number of duplicates required, of course, depends entirely upon the factory. The different kinds of type should be as few as possible, and the majority an eight point Gothic. Those items which need prominence should appear in striking type.

As soon as all of the items have been decided upon, draw up a sample similar to Form I. Submit this to the purchasing department, the superintendent and other department heads interested for approval before you order a definite quantity. The form should be of the same size as the purchasing order and of the same general type. As soon as the necessary orders for these forms have been placed, issue standard instructions as to the detailed manner in which to use them.

Of course, before the order is placed, it is taken for granted that any objections to the form will have been considered by the various department heads, so that no change in the design of the form will be necessary, unless radical changes in the general system become essential.

**WHAT** *information to put on the purchase order blank—points in layout and ordering routine that need to be considered—how to keep up the stock.*

Upon receipt of the purchase requisition, the purchasing department considers this requisition as its authority to issue a formal purchase order. This order is used primarily to record transactions between the company ordering the material and the seller, and thus eliminates the major part of the correspondence between these parties. In addition, it is often used in the factory for routing the material from the vendor to its proper destination in the plant, and also to see that it arrives there at the proper time.

The purchase order, or a copy of it, probably passes through as many hands and as many different departments as any form used, and, therefore, should be designed with this idea in view. It must also form a permanent record of transactions between the company and the market. It will continually be referred to and the service it must perform is fully as severe as that to which any other factory form is put. Therefore, it is best to print these forms (in triplicate or quadruplicate,

NEW YORK, EAST TWENTY-FOURTH STREET		LONDON, THE EMANON CO., LTD., NORFOLK STREET, STRAND	
<b>THE EMANON COMPANY</b>		NO. 7304 G	
HILL AND NASH AVENUE			
WASHINGTON			
DATE			
TO		DELIVER TO	
		MARK FOR	
		JOB NO.	FORM NO.
THE FOLLOWING			
THE EMANON COMPANY			
PURCHASING AGENT			
ALL PACKAGES MUST BE MARKED WITH OUR ORDER NUMBER AS SHOWN ABOVE. NOT RESPONSIBLE FOR GOODS DELIVERED WITHOUT ORDER SIGNED BY PURCHASING AGENT RENDER INVOICES PROMPTLY AND SHOW THEREON OUR ORDER NUMBER. NO CHARGES FOR CRATING, BOXING OR CARTAGE WILL BE ALLOWED			

*FORM II: In a large plant more information may be required than is here shown on the purchase order. For the small plant, however, this is sufficient*

as the case may require) on a very good quality of bond paper, in sizes about 4x6 or 8½x11, in the clearest possible type. The original copy which goes to the vendor should be on white paper, printed with copy ink. A color scheme is nearly always best. In many cases a

yellow copy acts as the purchasing department's file record, and the blue the receiving clerk's record, with other colors as required. Often the production and stores departments receive copies.

The information to go on the form depends entirely upon the nature of the material manufactured, the size of the factory and the make-up of the organization. Two examples of purchase orders (Forms II and IV) are shown. One is used in a medium-sized plant, the other in a large factory. Usually the following information should appear on all purchase orders: the purchase number, name of company, location of company, to whom the order is charged, the material wanted in detail, the date wanted, price, terms, conditions of acceptance, signature of purchasing agent and a notice to the effect that the purchase number must appear on the invoice.

The sequence of information, while not of the most vital consideration, is yet very important. In most cases the purchase order and the firm name should appear at the top, next the purchase number and the location of the firm should appear, then it is customary to state clearly what is wanted, and this should be followed by shipping instructions. The size of the space allotted for material, of course, is determined by the nature of the business. Down at the bottom space should be left for the purchasing agent's signature and a statement to the effect that the purchase order number must appear on the invoice. The spaces to be filled in on the typewriter should be arranged so that it will require the least amount of spacing on the part of the operator.

The items that should be played up are these: the purchase order, purchase order number, company name and address, and finally the statement that the purchase



order number should appear on the invoice. This information may be balanced somewhat, as shown in Form IV.

Of course, the number of duplicates is determined by

<b>PURCHASE REQUISITION</b>		
FORM NO. _____	EMANON COMPANY	
<b>TO PURCHASING DEPT.</b>	MATERIAL AS LISTED BELOW IS	
REQUIRED FOR _____	TO APPLY ON _____	
ORDER JOB WORK _____		
DATE _____ 191 _____		
	QUANTITY	MATERIAL REQUIRED
<b>DELIVER THIS MATERIAL TO</b> _____		
WANTED _____ 191 _____		
SIGNED _____		
APPROVED _____ DATE _____ 191 _____		
A. M. P. M.		
SCHEDULE ASSIGNED _____ DATE _____ 191 _____		
<b>PURCHASE ORDER NO.</b>	<div style="border: 1px solid black; width: 40px; height: 30px; margin: 0 auto;"></div>	<b>ASSIGNED</b>
SCHEDULED FOR DELIVERY TO FACTORY _____ 191 _____		
PURCHASING DEPT WILL RETURN THIS REQUISITION TO		
NAME _____ DEPT. _____		
PURCHASING AGENT'S APPROVAL _____		

*FORM III: This purchase requisition contains more information than the one shown in Form I, and more fully meets intricate needs when put to actual use*

the specific requirements of the individual factory in the same manner that the number of copies of the purchase requisition is determined. One copy, generally the



original, always goes to the vendor, one to the receiving department, one to the stores, and one to the production department. Many times definite shipping and delivery instructions are included on the seller's and receiving department's copies. On the receiving copy, all quantities are omitted so that this department must ac-

<b>PURCHASE ORDER OF THE EMANON COMPANY</b> <small>HILL ST. AND NASH AVENUE WASHINGTON</small>			
<b>PURCHASE NO.</b> _____		<b>DATE</b> _____	
<b>GENTLEMEN:      KINDLY SHIP TO US THE FOLLOWING MATERIAL NOT</b> <b>LATER THAN _____ 191 _____</b>			
	<b>QUANTITY</b>	<b>DESCRIPTION</b>	<b>PRICE</b>
<b>IT IS UNDERSTOOD THAT YOU ACCEPT THIS ORDER ON THE TERMS</b> <b>AS WRITTEN UNLESS YOU NOTIFY US TO THE CONTRARY</b>			
<b>ROUTING</b>			
<b>ALL PACKAGES AND YOUR INVOICE MUST BE MARKED WITH</b> <b>OUR PURCHASE ORDER NUMBER.</b>			
<b>THE EMANON COMPANY</b>  <b>PER _____</b> <b>PURCHASING AGENT</b>			

*FORM IV: This purchase order includes all the information that is required in any factory. If desired, all terms may be printed on the reverse, so that the seller accepts them in taking the order*

tually count out the amounts and make a report of them that must check with the original order. The stores department should receive on its copy the amounts listed. The type used should be practically the same as on the purchase requisition and the method of preparing the

sample, obtaining the necessary approval and keeping track of the stock, would, of course, also be the same. Ordinarily the stock is maintained by the maximum and minimum limits system. The material is often placed in the store room, in packages of definite quantities. The lower package is then marked as follows—"Before opening this package re-order in quantity of —."

A few minor points are worthy of consideration. If the information on the form is to be typewritten, the spaces for this purpose may be made much smaller than if filled in by hand. The exact dimensions of the form should be such as to leave a small border around the form for convenience in handling.

Machine ruled forms are expensive and you should avoid them if possible. When used, make as many of the lines as possible of the same length. This applies to vertical ruled columns as well as the horizontal lines.

Consider the eyesight of the workmen. Many clerks with poor eyesight will be called upon to use this form, and unless the information is printed in reasonably bold type, mistakes will surely occur. When any of the information is to be written in long hand out in the shop more than enough space should be allowed for the purpose, otherwise workmen will write all over the adjoining spaces. As far as possible, adhere to factory nomenclature, so as not to confuse the men who are compelled to fill in the necessary information.



**I** HAVE no hesitation in placing system as an element of success second in importance only to quality in the manufacturer's product.

—John B. Stetson

Founder, John B. Stetson Company

## HOLDING THE SUPPLIER TO HIS BARGAIN

By Carroll D. Murphy

**WE** HAVE no trouble in handling incoming goods," said the purchasing agent of a large factory in western Illinois. "Being advised in advance what shipments are coming, our receiving department is able to have freight cars switched to the place most convenient for unloading and unpacking. This makes speedy and accurate checking possible. No unlabeled packages lie about for days waiting final inspection, which, if made at all, must then be hasty and unsatisfactory. We regularly get our materials on time, we get the quality we order, and whenever anything goes wrong we know where the blame lies. We aim to make prompt shipments to our customers, and the surest way to do that is to exact prompt and efficient service from our supply houses."

In this concern the receiving department insists upon receiving notification by mail or 'phone, or in special cases by wire, that shipments may be expected at a certain time. Instead of arriving unexpectedly and receiving scant attention, advance preparations assure the careful treatment and prompt handling of all goods. A careful check on all items delivered by the railroad with notation of articles damaged en route, or lost, forms a basis for efficient entry of claims. Any shortage or



defect in the goods themselves is referred to the supplying houses.

Prompt inspection saves this firm annually a large amount which would otherwise be lost in short shipments, accidents or substitutions. Experienced men are encouraged to remain in the receiving department and their years of service are a great help in protecting the concern as to right quantity and quality in every shipment.

**T**HOROUGH inspection at the receiving room door is essential if you are to receive right quality and honest quantity in the goods you have ordered.

As far as possible, each shipment is checked entire, so that all necessary charges and adjustments can be made at one time. Yet the system fully provides for the hurry-up item.

"In fact," said the purchasing agent, "we handle so much *rush* stuff, that our method has become very flexible. A special blank, instead of a duplicate copy of the order, warns the department to watch for the item which is needed at once. The clerks have learned to pick it out, O. K. it and swing it instantly into the current of processing and sales. A frenzied foreman need not shout into the 'phone for materials whose absence is halting production in his department. The special blank and red follow-up shout for him. Departments get their materials on time, checked for quantity and quality. We never drive away our trade by putting uninspected goods into rush orders. Promptness, not omission, is our safeguard."

Follow-up to insure prompt delivery, right inspection, and the rigid enforcement of contracts or salesmen's agreements are the purchasing agent's best insurance

against short-sighted, dishonest or careless deliveries on the part of the seller. Clever handling of your receiving routine will minimize mistakes and delays, and will provide against many, even of the so-called "inevitable" errors.

Receiving goods right is the first step in the successful processing or selling of them. Directly contrasted with the smooth routine prevailing in the above concern are the haphazard methods followed by a Southern furniture dealer. Very often crated couches, tables and chairs will stand for days on the sidewalk in front of his store. His success is on the wane, and he is laying the reason to "hard times" and the growth of competition. Yet to the outsider it seems apparent that his lack of method in purchasing is one of the biggest factors in the sales slump.

Recently a carload of goods came for him unexpectedly on a busy afternoon, and the lot was unloaded as usual on the sidewalk. Labor happened to be scarce and teaming schedules were badly disarranged. As a result, the freight papers gave no evidence of the railroad's responsibility for one crate which was badly smashed. Attempting to adjust this claim with the shipper in far away Minnesota proved a slow, costly and unsatisfactory process. In the meantime, trade was being lost on the item every day.

One piece in this shipment was a cane couch of a particular style, on a special order for a valued customer. Hustled into a delivery wagon without being uncrated, it was delivered only to be angrily refused. Inspection *after* this refusal showed the finish to be a slovenly, badly scarred high gloss instead of the dull, "Early English" oil style desired. Re-finishing, which might have forestalled the customer's dissatisfaction, proved

ineffective as a remedy. The remainder of the shipment, meantime, was bundled under cover and forgotten amid a mass of other incoming goods. Ten days later the lot was unpacked and the dealer found that the seller had made an extremely undesirable substitution on the size of a number of dining room tables and the style of several chairs. So much time had elapsed since the receipt of the shipment that adjustment was difficult, and the dealer found himself loaded with a stock which he could not sell except at a price that ruined his chance of profit.

Rigid inspection of goods when they are landed at the warehouse door would have protected this dealer from the mistakes of the supply houses, hastened adjustments, established his reputation among the factories as a buyer whose order must go out correct and would have warned him against suppliers who habitually blundered. Indeed, such inspection is the first simple rule to be enforced by the purchasing agent if he is to get correct quality and quantity.

**K**NOWLEDGE of *suppliers' habitual methods is a big help to the buyer who desires prompt shipments—the quick test by sample that simplifies inspection.*

If the seller, according to your experience from previous dealings with him, is thoroughly honest, and his own inspection is careful and exact, you have at once a certification of correct quality and quantity, which may render inspection in your warehouse less burdensome. After you have examined the first few boxes, the sales inspector's number on a pack of goods or a crate of peaches, will tell you how nearly correct the inspection of each package has been.

In iron ore shipments the law of averages is used to



insure quality. The barge of ore is tested in a dozen places. Samples are taken now and then from fore, aft and midship, and from top to bottom as the buckets unload the cargo. The resulting mixture is tested to establish the scientific formula for the entire shipment. Wise selection of samples may similarly be applied to the inspection of many kinds of goods.

The quick test is, of course, the best, provided the average arrived at is accurate. A stenographer sat at a table counting out blanks of a certain kind and putting them in piles of one hundred each. An office boy who had handled poker chips, counted his first hundred and matched subsequent piles against it, judging the thickness of the paper to be uniform throughout. The supply buyer, on the other hand, knew that the paper in the blanks ran sixteen pounds to the ream, and he suggested weighing the sheets, hundred against hundred. A moment's thought will tell you which method is quickest and most accurate. Quality and grade, number, quantity, measure or weight—these are things to look for in your deliveries, and the quick test will relieve you of much tedious labor in the receiving room. Such a plan leaves ample time to study over the specials in each shipment, where errors are most likely.

Rigid inspection and close checking is never to be omitted, but right buying should eliminate the necessity of inspecting every pound of screws, every ingot of steel or every bolt of cloth in a carload shipment. Correct order giving and clean-cut specification are the basis of delivery satisfaction. In former days a man could see his goods wrapped or packed, and so judged beforehand whether they met his needs. The method had certain advantages which are absent from the modern system. The present-day purchasing agent often buys with reference

to the character of the supply house, taking the evidence of his own experience with them as a guarantee of the goods. He avoids the firm which continually proves careless in the handling of orders, sends short weights or makes undesirable substitutions without sufficient grounds. His trade goes to the concern which supplies the right thing at the right time and at a reasonable price.

Finding the sellers who give this quality satisfaction and efficient delivery service is one of the buyer's big problems. An electric motor maker repeatedly experienced difficulty in getting certain complicated stock castings. Finally he happened upon a foundry foreman with the knack of giving correct service. Recognizing in this man his short cut to quality, the buyer gripped him fast. The foreman has changed employers three times, but the motor maker's trade has gone with him at every change.

**H**OW *the clever buyer is able to secure prompt delivery service and quality satisfaction on goods needed in a hurry—follow-up methods that count.*

Once the order is given, your purchasing agent has four tools of follow-up: mail, the 'phone, telegraph and personal representative. The card index, or a carbon copy of the original order placed in a tickler file, serves to remind him of approaching delivery dates.

A letter, sent a few days in advance of the time when goods have been promised, accents delivery specifications and makes a strong reminder at the critical date. One firm in a Southwestern city has for a number of years made successful use of double post cards for the first follow-up. This card requests the supply house to give information on the return portion of the card regarding

the progress of the work and the chance of delivery on the specified date. The reply is filed, and thereafter single cards remind the supplier of this date, which has become the foundation of the factory's work schedule. The underlying principle of "getting a date" is vital.

Wisely used, the telephone is also a valuable means for hurrying up local deliveries, or long distance deliveries of special importance. Coming in the morning when the foreman is planning his work for the day, a telephone message puts your need strongly before him. The intonation of his voice in reply is taken by one shrewd buyer as a sure indication of whether the supplier wishes to avoid the issue and intends delay, or has the date in mind and is processing his work promptly, so that the delivery will occur on time.

In certain cases a telegram is better than either a letter or telephone message. An electric power concern was in urgent need of a big generator which was being built by an Ohio engine company. Every day for three weeks they sent a night letter to the Ohio concern in regard to the generator. The message arrived about eight o'clock each morning and was a "first column" reminder of the delivery date. The dynamo was out on the day, having received particular attention in a period of rough times when it might easily have been sidetracked or forgotten.

*ABUSE of the follow-up is sure to antagonize the supplier—a reasonable and tactful approach, on the other hand, leaves him willing to serve you.*

The same or even better results are obtained when one of your representatives visits the seller and urges the need for haste.

"Get a good fellow into your supplier's shop, down



among the actual cogs of processing your material. If you have the right man, your goods will come through." This is the way a purchaser of mine machinery and castings sums up the value of the personal touch in follow-up—the laugh and appeal of human comradeship. It eliminates the guess-work which enshrouds a message aimed at some indistinct figurehead—a distant foreman or manager who thrusts the letter or telegram half-read into the waste basket and promptly forgets the telephone call. Personality puts the buyer, whether he is purchasing a machine which costs fifty or fifty thousand, on stilts in the crowd which is clamoring for deliveries.

Above all, however, don't abuse the follow-up or maintain an incessant clamor for special favors. Actual need is the only sound basis of rush follow-up. You can shout "Wolf" until the seller learns to pay no attention to your appeal. A twenty-dollar customer in Texas sent hurry-up wires "collect" to a St. Louis concern daily for a week—and paid for them afterwards. Such a measure on goods ordered specially, but with no agreed shipping date, was tactless and set a discount upon his reasons in a genuine crisis which developed later.

Reason and tact will do more every time than bull-headed demands urged in an unreasoning way. You must sell the sales office your need. A fifty thousand-pound generator in a city power house broke down and had to be replaced at the earliest possible moment, regardless of expense. A single telegram was the only follow-up used. This stated the case in a few crisp sentences and offered to bear 700 mile express charges. The wire carried conviction, and the generator came promptly.

On the boundary between friendly and forced deliv-

ery rests the penalty inserted in the bonus contract clause. Since delay is tolerated by the supplier for the sake of economy, a bonus is the logical spur which induces him to make his deliveries more promptly. A fine of so many dollars for every day delivery is delayed beyond the stipulated date, coupled with a corresponding reward for earlier delivery, is valuable oil for the machine of material-getting.

Recourse to a lawsuit should be had only in exceptional cases. Often the threat of proceedings is sufficient to bring the lax seller to time. No house can afford to run the risk of earning a reputation in the trade for slow deliveries or contract failures.

The buyer in a big Pittsburgh steel company scented a rising market in bolts. He at once contracted with several rival salesmen for future deliveries, month by month. No concern was especially favored. The salesmen took the order, although against their will. On the third delivery date, however, bolts were so high and the demand for them so great that one concern yielded to the temptation to neglect delivery.

Expecting this, the purchaser at once telephoned to the city sales department of the supplying house. The latter pretended a flaw in the contract as the reason for non-delivery. Instantly the buyer's coat was off. Backed by the plain intention of the contract and the whole fighting power of his house, he suavely suggested a court decision.

"Now is a good time," he said, "for us to demonstrate to the world whether your concern stands with the rest and respects its agreements on bolts *and other items*." The threat and the loss of reputation which would have resulted from a suit made the contract worth keeping.

Having discovered the brand of poor quality in deliv-

eries, the purchasing agent must determine what his stand shall be. He can be absolutely impartial and yet thoroughly resolute. If he is tactful, he will listen to the salesman's side before he lays down a harsh decision or makes a definite demand. The criterion of returned or discounted goods used by one conscientious factory buyer is this:

"If the supplier has saved money beyond contract by throwing his goods below specification, or if the selling value of the goods has been diminished, an adjustment is due."

Penalties are justly aimed not to punish, but to reform. The fundamental thing to aim at in your follow-up, inspection and adjustment is to raise the standard of future service. To this end, you must demonstrate the justice of your present objection and your open-minded attitude toward tomorrow's deliveries. Inability or failure to make an agreed delivery satisfactorily is inexcusable from the buyer's point of view. The more just and firm you are in your demands the better will be the quality of service accorded you by the seller.



**T**HE hardest thing I know of in selling is to show a customer that first cost is not last cost; to make him understand that while the price of some goods may be much lower in the beginning, they are always invariably dearer in the end; to show him that almost always an article is worth just about what it costs; in short to impress him with the meaning of "quality."

—Edwin W. Moore

President, The Electric Cable Company



## XII

# HOW TO FILE PURCHASE DATA

By O. N. Manners

**B**EFORE the purchasing agent is ready to buy goods he must have certain information collected and classified in systematic form. Mechanical aids help the man who is watching the markets when he wishes to spot the right seller on a hurry call for out-of-the-ordinary supplies, and they also keep him in close touch with his sources of regular purchase. Full and up-to-date, yet easily handled and thoroughly indexed—these are the qualities needed in the buyer's information files.

Such a system of records has been successfully built up by a commission agency engaged exclusively in buying. The purchases which this firm makes for its customers covers a wide range of goods, each including an infinite variety of small articles and a great many products that are continually fluctuating in price. The system used to supervise the buying details of this business is simple and one which could easily be adopted by any firm making enough purchases to require a written record of quotations.

Prices are secured from catalogs and quotations. For this reason price records are divided into these two classes. The catalog lists standard prices which rarely change. Quotations, however, are a different and more difficult proposition to handle. Records of prices

of special lines are kept on cards and are classified in two distinct sets. The first is for articles of special name, of which there is only one in a class. The second set is for articles in generical name, which are only distinguished by special classifications. In the first set indexing is carried out in several ways. The whole set is first indexed by means of a general alphabetical index. Then each section is given a special guide card on which is written the class of article. Where the variety of any of these classifications is extensive, a smaller alphabetical index again separates them. Thus, under the letter E, there is a guide for extracts, and behind this again a separate alphabetical set of guide cards dividing the various extracts into alphabetical sequence.

The indexing of the second set of cards, however, has to be carried out differently. The variety of the lines that come into this set is large, and if merely indexed alphabetically would surely take up a great deal of time in searching. These cards, therefore, are numbered and indexed in numerical order. A separate alphabetical index is provided in the form of a loose-leaf book. By this means it is possible to get a great variety of classifications of one line on a single page. This page form also facilitates reference, as it is simpler to note the classifications on the page and run the finger down the various lines than to search through two or three hundred cards.

Each of the cards contains a full description of the article, and details of every quotation received. Many of the special lines are subject to modification at times, especially in their uses. This is especially the case with pharmaceutical products in course of development. In such cases all data affecting the product are collected and transferred to cards of a different color, and these

are filed with the price cards of the product, so that when purchases have to be made or shipments sent to a new buyer not likely to be familiar with recent developments in the use of the product, all the necessary information is at hand in serviceable form and comes up automatically with the price card.

Standard prices listed in catalogs have also to be made accessible at short notice. To effect this the catalogs are divided into two classes, those having but a few pages or which are in the form of flexible pamphlets, and bulky bound books. The first class is filed away in vertical files. The books are filed away on library shelves having dust-proof fronts. Each catalog is numbered with a bold printed number and indexed to firm names and articles. This catalog number is also noted on the price card so as to save time in referring to the indexes.



**T**HE buyer is buying not to please those he deals with but the millions of people all over the country and in foreign countries, who will eventually judge us by the personality of the buyer, worked out into goods for the home, the person, the dairy, the farm. He does not come in direct contact with these customers of ours—but we wish he could.

—A. Montgomery Ward

Founder, Montgomery Ward & Company



## PART III—HIRING AND TRAINING YOUR WORK- ING FORCE

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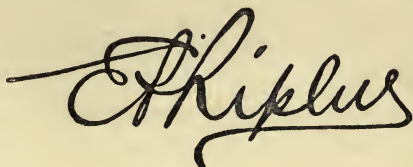
### *Team Spirit*

FOSTER a spirit of team work. Upon that idea, Santa Fe success in handling its men is based. By broadminded treatment of the men on the job and by our reading rooms, entertainments and pension system, we try to make our men feel that they are members of a great family united not only in working hours, but in leisure time.

Put confidence in your men. Aim to give them the highest ideals of private and railroad life. By making men better citizens you make them better workmen.

Recognize merit. Promote from the ranks. Help your men keep out of a rut. Many of our executives have grown up in our service.

At heart most men are fair. They quickly respond to fair treatment and reflect it by their pride in their work. Behind the loyalty of Santa Fe men is team spirit, team pride and fair play.

A handwritten signature in dark ink, reading "E. H. Ripler". The signature is written in a cursive style with a large, sweeping initial "E" and a long, horizontal flourish extending to the right.



**E. P. RIPLEY**

*President, Atchison, Topeka and Santa Fe Railway*

## XIII

# WHERE TO FIND THE BEST WORKMEN

By W. S. Ball

**H**IRING men is the first step in managing men. Every large employer realizes this. He knows from experience that the superintendent who has the least trouble in handling his workers is the best judge when it comes to picking out new "raw material." It takes an ability which seems like instinct but which is more often the result of long training to size up applicants successfully or, when applicants are lacking, to know where to turn for good workers.

The owner-superintendent of a small machine shop employing some fifty hands is famous among his acquaintances for the quality of the workmen he secures. He takes pride in the loyalty of his men, which means good products and easy sales.

"Where do I find my men?" he said. "I don't. I grow them. I let my operatives do the actual bringing up. If you go through the plant today and ask every man how he happened to come to work for me you will find that at least fifty per cent of them are sons or nephews or cousins of older men, or of men who formerly worked here.

"My rule is to give the preference to sons or near relatives of the men already here. I'll admit it is a rule that might not always work out well, but I know that I



am more interested in this business because my father founded it and left it to me. And I reason that when I have a workman who wants his son to follow in his footsteps he has pride in his work and is likely to pass the feeling on.

“If it isn’t a son, it may be a sister’s or a brother’s son. Practically every new hand I have taken on for ten years has been recommended to me by one of my own operatives. Sometimes they turn out badly, of course, but even in cases where the first few weeks are encouraging, I find that by speaking to the father or uncle, the beginner is toned up to our standard if he has any good in him at all.

**S**YSTEM *in the hiring of men is sure to bring you a better grade of employees—some of the sources drawn on by successful employers for their workmen.*

“My plant is small enough so that I know all the men personally. If one of them has a relative, or even the son of a friend, whom he wants to place with me, I encourage him to see that the boy gets as much technical training in the schools as possible. Once I refused to take a boy until he had had another year in a technical high school. Inside of four years that boy became head of a department. There are objections, of course, to having too many family ties in a big plant. Ill feeling, based on the belief that there was favoritism, couldn’t be avoided unless there was good team work. But in my own business I have found that it pays to pick out young men who have an interest in the plant already through fathers or other relatives.”

This is an unusual case, not applicable to most large factories, although the superintendent of a large print works admits that when he has a special position to fill

he invariably asks his own employees if they have any one in mind who is adapted to it. In general, it is safe to say, the employer has no definite system of securing new workers. When times are dull he takes his pick of those who apply. When work is plentiful he gets along as best he can through advertisements or various employment agencies.

And yet those who prove most successful in finding desirable men usually have some sort of system in their search, even though they themselves may not recognize it as such. Where skilled labor is required, this very largely resolves itself nowadays into a close watch of the many technical schools. The employing superintendent of a New England shop where highly specialized machinery is made, and where scientific management has been installed with marked success, says that most of his men, above the grade of bench workmen, are sought from the schools.

"Every year," he said, "we have brought to our attention graduates of the technical schools, from whom we have plenty of choice. And we find that it pays to select them, because their own interest in the work is reinforced by loyalty to the school and the desire to make good for its sake. This applies as well to the boys who come from the public schools as to those with longer preparation. We employ the promotion system as far as possible, and many of our new employees are taken young, fresh from grammar or high school. If we get a boy from the technical high school one of his instructors is pretty apt to drop around and talk with him two or three times a year to see how he is getting on. And this helps more than you would realize.

"When it comes to still younger boys, office and errand boys, for instance, who are expected to develop

ambition to get into one of the high-paid departments, we pick the boy who goes to night school every time. If a boy has ambition and energy enough to work in the shop all day and go to school at night, he's got the stuff in him that we want in our business. Very rarely have I seen it fail that he is the boy who makes good."

Sometimes the superintendent's system is the result of chance. A New England jewelry manufacturer, at a period when help was none too easy to get, dropped into the public library of his city in search of a technical volume. The library maintained a large industrial department and encouraged workmen to use it as much as possible. While talking with the librarian he happened to mention his need of a man for a certain line of work which involved a knowledge of designing.

"There's a young man who comes in here who ought to suit you," said the librarian. "He's one of the most regular readers that we have. I don't know where he has worked, but he must be out of a job just now, for he frequently comes in during working hours, where before he came only in the evening. And I've noticed that he is studying harder now than ever before, so I fancy he is putting his spare time to good advantage."

The manufacturer promptly asked the librarian to find out if the man was available and to send him to the factory for an interview. It was a delicate task making the preliminary inquiries, but the librarian had come to be on good terms with the young student and learned that he was discouraged from frequent rejections at the shops where he had applied. She extended the manufacturer's invitation to see him, with the result that one jewelry shop's most promising workman was landed in the particular job that fitted him.

"Since then," adds the manufacturer in telling the



story, "I have left standing orders with the librarian that whenever she finds a case like that, where a man keeps right on studying all the harder when he's out of a job, to send him to me. If I haven't a place for him, I'll make one. There are always men enough in the shop who haven't that kind of enthusiasm. Once since then she has sent me a man, and while the results weren't as good as in the first case, he is one of my best workers. And I am hoping for more all the time."

In an almost equally accidental way this same manufacturer stumbled on a source of supply on which he has relied successfully many a time. In a community where jewelry making is one of the chief industries it is natural that the fraternal bodies should include a large number of jewelers. A few years ago, when work was more plentiful than workers, he was in need of a man for a particular position. While discussing the difficulty of finding good men with one of his foremen the latter suggested that he knew a man in his lodge who had recently left a similar position, but was not the kind of man likely to go from shop to shop seeking work.

**L**ODGE MATES of your present workmen, green hands from the country, employment agency applicants—these are dependable sources of man supply.

A few questions decided the manufacturer to try him, and the result was a vacancy filled by a man who, though he never developed any great amount of initiative, is still holding the place satisfactorily. This experience opened the eyes of the manufacturer to the possibilities of the fraternal orders as recruiting stations for the industrial field, and many of his employees since then have been secured through recommendation by workmen who are lodge members. This has become so well



established, his shop happening to be one where conditions for the operatives are more satisfactory than in some, that he is rarely short of workers, no matter how busy the season. Fraternal men in his employ, seeing a vacancy, are quick to suggest a lodge mate employed in some other shop who would be glad to change positions.

A western manufacturer who likes to "catch them young" and bring them up in the business has established a regular system which nets him two or three promising recruits every year. He comes from a country town where there are one or two small industries, but not very much incentive to an ambitious young man, and every summer he spends his vacation there. On each visit he makes it a point to look over the field to see what "likely" young men are looking for opportunities in a larger place, or have shown qualities that make it worth while to enlist their interest. It is easy in a small place to keep in touch with everybody worth while and to size up their possibilities. And it is a rare summer when he does not find one or two, sometimes more, who are worth securing for his plant.

He takes them back with him in the fall, starts them at the beginning, and if they prove capable, sees that they get a chance to work through the different departments, learning every angle of the business. These men prove among the best of his employees. He can rely on them personally and is sure that they have more than a paying interest in the enterprise.

A well known New Yorker, the head of a large publishing plant, although he has no such system of gathering recruits, prefers men from the country, the "corn fed" variety, as he calls them. He himself is a native of one of the New England states, and likes to find youngsters from the same commonwealth, although country blood

from anywhere is almost sure to appeal to him.

A textile manufacturer in New England combines this preference for country bred youths with a definite system for getting experienced men. Through various friends in several small textile plants scattered through the villages and towns he keeps in touch with promising subjects, and when he needs more help makes his first overtures to them. Often they are surprised that he should have heard of them, and this flattery puts them on their mettle to do their best for him.

In securing unskilled labor for simple and quickly learned processes less pains have to be taken, but the employers who take the most care in picking their men almost invariably get the best results. And more than one superintendent holds his job by virtue of being a good "sizer-up" and knowing where to turn for extra workmen in an emergency.

Some employers do not like to resort to the "help wanted" columns of the newspapers because the flood of applicants that results is a nuisance and there is always considerable difficulty in selecting the right men from a long line of prospects. One Chicago factory superintendent, however, makes use of the advertisements of other employers.

He is a quick judge of men and when he is in search of one he strolls down Fifth Avenue, where the afternoon papers come from the presses and a crowd of men are always eagerly scanning the want-ad sections.

Among these he looks for promising individuals. Their general appearance, their clothing, their manner of going at the task in hand, all contribute to his impression. Almost intuitively he selects those whom he thinks he could use. When he finds one he calls him aside and asks if he wants the job. Sometimes on talking with a

man, this employer finds that his first impression was entirely wrong, but quite as often it is confirmed, and this street corner conference determines him to give the man a trial.

No method is likely to prove successful in the long run unless the employer using it has the important faculty of sizing up other men correctly.

A contractor found one of his best workmen by glancing at the crowd of idlers gathered where an excavation was in process. The attitude and look on the face of one man appealed to him, and without further introduction he approached this man and offered work. The chance was eagerly taken and the man proved to be both efficient and ambitious. He was in every way satisfactory.

"Since then," says the contractor, "like the man who has once found a purse in the street and forever after studies the gutters, I never pass a group watching building operations in progress without looking to see if I can find another man who looks good to me."



**R**ESPONSIBILITY *is what develops men and makes them broad and strong. It is a great creator of executive ability. When entrusted with it, candidates for promotion will show what is in them. Throw men on their own resources and see what they do. It is the petty cramping of the man that keeps down his abilities. Therefore, when you have faith that a man has sufficient knowledge of his business, begin by slipping out from under this or that responsibility and let it fall on the pupil.*

—Clarence M. Woolley

President, American Radiator Company



## XIV

# HIRING FACTORY HELP

By Sumner B. Rogers

Production Manager, Sangamo Electric Company

**J**OB seekers, not more than fifteen years ago, made their headquarters on the street corners near the factory. There they waited for the morning whistle to blow, with the idea that it meant a job for those lucky enough to be selected.

The man who hired the help would come out of the factory gate and, standing upon a convenient curb, box or barrel, would beckon first to one man and then to another and pass them in at the gate. Perhaps none of the men in the shoving group had ever worked for this concern before; perhaps they all had. It is safe to say that the man selecting help in this manner neither knew nor cared whether they had ever worked in that factory before. When he had picked out those whom he thought looked best, he went back to his duties and the crowd that was left ambled back to its resting place, the street corner or the nearby saloon.

This was the general practice followed for employing men for the factory. By this crude method, it made no difference whether a man had any ability or integrity or whether he was stable enough to hold the job for which he was selected. If he was lucky enough to be picked out from the crowd, he was hired.

Since that time, however, every employer of labor has

come to realize that this is not the efficient way to pick workers. Yet to get the most efficient man for any class of work is of vital importance to the economical and efficient operation of a factory.

The old-time methods seem more crude by contrast with modern employment offices. Particularly interesting is the department which the Western Electric Company, through long experience, has gradually developed to meet the difficulties of obtaining the best men for the work. Its methods are distinctive in two ways:

First, in the physical method of handling the applicant.

Second, in the clerical method of hiring and the careful consideration of the prospective employee's previous history.

**METHODS** *used by a big manufacturing concern to interview quickly and effectively a large number of applicants and secure the right employees.*

The employment department is divided into three main sections, one for the handling of shop men exclusively, one subdivided between hourly-rated women employees, office women and salaried men, and one in which all records are kept.

It has been realized that the attitude of an applicant toward the company and toward the job for which he applies is of the most vital importance, and, therefore, every means has been devised for the convenience of the applicant. Well-ventilated and well-lighted quarters have been provided for each class of labor. Here they may rest comfortably until they have been interviewed.

In many cases the applicant has never been inside the works and the first impression he receives of the methods that prevail throughout the plant are formed by the

treatment he gets when applying for employment. He may figure that if lax and discriminating methods are permitted in the employment department, they will undoubtedly prevail in all other departments, and surely in the one in which he will work. If he receives a negative impression and yet accepts a position due to necessity, his tendency will be to use it as a temporary means of support until he can obtain a position elsewhere.

The first physical means of separating the classes of labor seeking employment is made at the entrance. When an applicant enters the works, he is directed to the doors, which are located just inside the main gate. Entering the proper door, he finds himself in one of the receiving rooms, which are equipped with ample accommodations for filling in the necessary application forms.

To prevent holding a large number of men or women for an unlimited period of the day, thus preventing them from seeking employment elsewhere if they cannot be employed by the Western Electric Company, a competent interviewer goes into each of the various rooms as soon as the office is open and, upon learning from each applicant the kind of work he is seeking, disposes of those applying whom he cannot use by telling them at once that there is no work for them. To those he can use or may be able to use later he gives application blanks, requesting them to fill out and hand them in as quickly as possible. As soon as the application blank is filled in the applicant takes a seat at the side of the room until his turn comes for an interview.

Should an applicant have difficulty in making out his application, he is given all the assistance he requires. The principal aim is to make the applicant feel that he has been fairly and well treated, that he has received the proper kind of attention and that he is perfectly



free to call again and just as often as he may wish.

Just outside of the shopmen's room and just inside of the general office are the interviewing desks. As each man's turn comes, he steps through the doorway directly in front of the interviewer, who is a specialist in this line of work. His application is analyzed and he is especially interviewed as to his past business experience and then told the nature of the job that is open and what it will pay. If he accepts, he is given a pass that will admit him the next morning to the department for which he has been employed. If he declines the position, or if he is rejected, he passes out at once to make room for the next man.

At this particular step a great deal depends upon the interviewer; he must know men and he must be thoroughly familiar with manufacturing processes, as well as able to make fine distinctions in trades. This interview must of necessity be short, but the one cardinal principle of it all is civility. If the applicant is not hired, but is a desirable employee to keep in touch with, his application is taken and it is explained to him that as soon as an opening occurs he will be communicated with, and, therefore, it would be well for him to keep the company notified of all changes of address.

This application is carefully filed in a cabinet under classified trade or work headings, such, for instance, as clerks, bookkeepers, accountants, mill-wrights, machinists, tool-makers, and so on. As soon as a man is needed in any of these branches of work, these applications are very carefully gone through and the most desirable applicants selected from them and sent for.

If he is hired, his application goes through the regular routine and is finally placed in what is known as the "live files." The applications of employees who have

left the company are placed in the "dead files" for possible reference later.

Men seeking salaried or office positions enter the employment department through the "Office Entrance," and pass down the corridor to the room designated "Salaried Men." Here the same general routine is followed as carried out with the shop men, except that the applicant receives a personal interview from the managing head of the employment work.

Should the applicant be a woman seeking a salaried position, she enters the door marked "Office Entrance," and passes down the corridor to the room designated "Salaried Women." She is interviewed in an adjoining room, and the same routine is followed as with the salaried men.

Women for factory work pass through the entrance marked "Entrance for Shop Women," to the room assigned for this class of help, where the same methods are employed as in the other departments.

A man looking for a special interview for a position such as production engineer, assistant superintendent or master mechanic is conducted by the watchman in the vestibule of the employment department directly to the office of the managing head of the employment department. Although this special interview is given, if he wishes to be considered as an applicant for a position, he must file an application, giving a record of his past experience, the same as all other applicants.

The works' legal department, occupying desks in the office of the employment department, handles the legal phases of the employment work, such as garnishments, salary loans, apprentice contracts, and so on.

Employees from other departments requiring information or data from the files pass through the "Office

Entrance," down the corridor and into the general office of the employment department, without passing through any of the rooms in which the applicants are located or coming in contact with them in any way.

The department is supplied with daylight from two large skylights, as well as side lights from two sides of the building; in addition to this, an almost perfect system of artificial lighting has been provided in the event of any necessity.

Drinking fountains and lavatories are installed at convenient points. The windows of the employment department are all of such a height that it is impossible for any one to see in from the outside, thus insuring the degree of privacy that is required.

The entire equipment has been installed for the purpose of attracting desirable people, making them comfortable while it may be necessary for them to wait for an interview, treating them civilly when being interviewed, providing for the health and comfort not only of the high-grade engineer or office man, but of the office boy, shop man and shop woman alike, making no distinction between them except that distinction that makes them happier and better pleased.

On an average, twelve thousand people per month, or about four hundred and fifty applicants a day, are interviewed quickly, efficiently and satisfactorily, and the advantages gained by the arrangement have more than justified the expense and outlay required to establish this department of the work.



**E**FFICIENT and high priced labor only results when the latent natural ability in men is developed and utilized by careful selection and training.

—W. L. Saunders



## XV

# HOW WORKMEN ARE FITTED TO THE JOB

By Henry Beach Needham

**T**RAINING men for business is a time-worn specialty. But in all of this "educating" there is a varying degree of altruism—and little real business. There is practical business and a surprising amount of altruism in the twentieth century training in business. The reason is that it pays. When a corporation that sells sixty-five million dollars of its product annually, provides a year's training within its organization to a large group of young men, receives practically no labor return during the period, and yet pays them a living wage while they are learning the business, that corporation must place great value on training men in business.

In the Western Electric Company, for instance, college men receive what amounts to a credit for their academic work. That is to say, the college trained man is taken into the student course, which occupies the first year of his service with the company, and during that time he is paid an average of twelve and a half dollars a week. The non-college man is not admitted to this course. He must get his training as best he can, taking his chances with the men who are similarly unqualified—and, in the last analysis, with the collegian.

The collegian engaged by the Western Electric Company is carefully selected from a large list of candidates.

During his training in the organization the student receives ten dollars a week.

The student course has been worked out with much detail, even down to days and half-days. A large part of the business of the company is the manufacture of telephones and telephone supplies. Therefore the student is first instructed concerning the telephone industry—its beginning and development.

*ACTUAL shop practice is supplemented by lectures and class-room work in one large concern which employs a number of untrained college men each year.*

Then follows a day's inspection of the plant at Hawthorne. Next, there is a half-day's lecture on the work of the general manufacturing department and its relations to other general departments, its organization and its integral divisions. This information is conveyed specifically by taking a piece of apparatus which is to be manufactured and explaining how it passes from one department to another.

Next comes the question of the raw material—the value, the purchase and the inspection of the basic product. The half-day's lecture covers not only this, but the work of the assembly department, final adjusting and inspection, shipping and, at last, the installing. This is followed by a visit to the company's telephone exchange, with general instruction on the functions of a telephone exchange.

At this point the students divide—one set receiving training for the manufacturing production, inspection and installation departments of the business; the other group receives training designed to fit the men for commercial work.

When all of the students have completed both courses

they are assembled for a general discussion of the works. Following this, they spend two weeks in the inspection department office. Next they are engaged for twelve weeks in general installing work. The students are divided into "gangs" and are sent out with the regular workmen whose business it is to install the equipment of telephone exchanges, or to put in place and make ready for operation the switchboards in offices, hotels, clubs, and so on.

The student now has in examinations a forceful and probably an unpleasant reminder of his college days. But it is only a one-day test. He must prepare a paper reviewing the work of about six months. This is not merely a recital of what he has seen and learned. He must record his impressions.

The examination paper is a factor in determining several things. To the student the most important of these is his tenure of service with the company. For his "period of probation" is over. Does the company want him permanently in its organization? Does he like the work and does he want to stay? These questions are answered at this time. Either the student leaves to seek employment with some other company, perhaps in a less technical industry, or he casts his fortunes with the Western Electric. Incidentally, his weekly honorarium of ten dollars is increased to fifteen dollars.

Now, follow the college man who is to make his vocation "selling goods."

The "students' six-month commercial course for college graduates" is planned for the "purpose of training men for the sales department, instructing them in the manufacture, the stock material and the distribution of telephone supplies." The first eight or ten weeks are devoted to following up customers and stock orders,



from the time they are filed until shipment is made or the goods are sent to stock. This is called "chasing," work which familiarizes the student with the routine of an order and with the importance of exactness. He obtains a clear idea of the apparatus in process of manufacture. This experience is not without its peculiar value. Foremen with whom the college men deal in this kind of work are busy men and, as a rule, do not have the patience to answer the many questions of the novice. They are normally of the opinion that the work under them is going forward with all possible speed, and to be asked by a "college student" to hurry up a job does not meet with an enthusiastic response on the foreman's part. Therefore, in this business of "follow-up," the student must exercise tact, sometimes diplomacy. If he is successful, he has made a good beginning in the difficult task of handling men.

When the student has become an expert chaser he puts in four weeks in the apparatus store room, from which parts are drawn for assembling in the switchboard department or for shipment on "customer orders" to telephone exchanges throughout the world. In the filling and checking up of these orders, the student handles apparatus of almost every description. Thus he becomes familiar with the finished product of the shops. The arrangement of the stock is an important factor of the business to master. This applies not only to the smaller apparatus in the racks and bins, but to "packed stock." Material which will be least called for must be so distributed that it need not be continually overhauled when apparatus for which there is a constant demand is drawn, and if the student gets this into his head, he will have obtained a knowledge necessary to be a warehouse inspector.

The service department is the next "laboratory." Each branch house has in this department its own representative, who keeps a record of the orders from his respective branch. He files the "promises of delivery" received from the output department and notes all shortages. All correspondence, either from the customer or from the branch house is handled by the service department. By this method the exact condition of an order is known by the seller and the buyer.

The law of supply and demand is shown in its practical workings in the stock maintenance department. Studying the stock records, not only of the previous months, but of the preceding years, the student learns that during established periods there is an increased demand for certain kinds of apparatus; for example, during July and August the orders for heat coils, protectors and fuses are ten times greater than in the winter months. By learning how to schedule stock orders on the shop so as to keep the supply on a par with the demand, and to avoid "over filling" or running short on the stock, the student is in a position to "keep the stock" of a branch warehouse, or, for that matter, the regular stock supply of the Hawthorne works.

**T**RAINING *in shop work is essential for the man who is to sell goods as well as for the man who intends to devote himself solely to manufacturing.*

Mistakes are unavoidable in the best regulated businesses, and for their adjustment there is the claims department. In his work in this "laboratory" the student handles all complaints from customers. When parts have been overlooked, although the orders have been shipped as complete, the matter must be investigated, the oversight charged to the proper department, settlement made

with the customer, or, where the customer has no fair basis for complaint, the claim dismissed. The policy of the company is "a satisfied customer," and the student learns to get at the customer's viewpoint.

The billing section next occupies the student's attention. Here he examines the method of shipment from the shops to the customer, or to the branch warehouse, together with the routing of carload lots and single orders. A short period of time is also allotted to the cable, insulating and rubber plant. The student sees the pure rubber washed, mixed and rolled, preparatory to the making of receivers and mouthpieces for telephones. Wires of different kinds are insulated, covered and attached to plugs for switchboard cords, or they are woven and baked and then drawn for underground or submarine cables. Distributing rings and various other switchboard supplies are insulated in the cable department.

Through the commercial course the company's idea is to afford the student every possible opportunity to investigate "manufacture" and "method." With the knowledge thus gained, with the training thus afforded him, the student is presumed to have the proper foundation to make himself a valuable employee in the branch house service—the selling end of the business. Then he learns how to sell goods.

Before the director of the educational department makes his annual tour among some forty or fifty colleges and universities the managers of the branch houses send in their requisitions for men. For example, the manager of the Seattle branch writes the director that he will need two additional men on his staff a year hence. It is the business of the director to fill these requisitions. He carefully selects his "raw material"



from the available supply of college men. He supervises their basic training in the business. Then he sends them out to the branch houses and the local managers put the finishing touches on their commercial education and fit them into subsidiary organizations. This training applies to college men only.

**H**OW a manufacturing concern established an evening training school which was well attended by employees and brought excellent results in efficiency.

In another concern, a large hardware house, the secretary was desirous of helping young men to help themselves, and he believed in personal contact. He began by inviting a few of the promising young men of the organization to his home evenings. Non-college men were included in the invitation. On these occasions he discussed with them problems of practical business in which he and they were engaged. One night in every week was devoted to this "get-together" function, at which the employer was guide, philosopher and friend. So popular did these gatherings become that the library in this home could not accommodate the young men who were willing to devote time outside of long business hours thus to increase their own efficiency. The instructor and the students began to meet at the store one evening a week, and from this was developed what was first known as the "school of salesmanship."

The "fetish of names" at first proved a handicap. With few exceptions, every young employee became obsessed with a notion that the place for him was "on the road." Reports of what this or that salesman was making in the matter of commission raised the hopes of many a young fellow who was in no wise fitted for the art of salesmanship. The name was changed to the "hard-

ware" school. Immediately there was a falling off in the number of students. Men who handled hardware from early morning until five-thirty o'clock at night lacked inspiration to continue the study of keen-edged tools after hours—unless they were exceptional young men. But in the end the company was embarrassed because the number was so large.

Men are still taught salesmanship in the school. Often experienced salesmen who have served long on the road and who, with advancing years, are permitted to live at home and occupy a desk at the store, or those who have completed a trip and are back at headquarters, give practical talks to the students.

The more progressive manufacturers and jobbers to-day are committed to the policy of training employees under the company's guidance and control. This policy is fast spreading in the retail trade—at least, among the large department stores. Attention, service and value—that is what the buying public, alive to what it wants and what it is entitled to, is demanding more and more; and department store owners and managers appreciate the necessity of training the selling force to meet this demand, in so far as their work can meet it—to be intelligent, courteous and, to the greatest possible degree, "error proof."



**W**HILE the individuals of a business house are thinking beings and should work freely as a co-ordinate whole, they must work also together—they must be molded into a smoothly running, precise machine.

—John V. Farwell,  
President, John V. Farwell Company

## XVI

# MAKING THE BOY A BETTER WORKER

By L. I. Thomas

A REGULAR piece of work was submitted to a Chicago printing establishment with the request that they give an estimate of the time it would take an experienced workman to do it. They agreed that if they had a man who could do the job in six hours they would be perfectly satisfied. An apprentice in this plant completed the job in a little over four hours.

This boy had been taken fresh from school at the age of fourteen and was being taught the printing trade in a school for apprentices. Would such an efficient job have been done by the boy after the same period of service if his printing knowledge had been gained by picking up what he could learn here and there, as is the case where no system of training is in force?

The average boy of legal working age leaves public school with his working certificate in his pocket, a confused mass of facts and figures in his head and a pair of soft, unskilled hands, utterly unfitted for any practical work. Such a youth is not worth twenty-five cents on the dollar, and the most pitiful part of it is that he is not to blame. In attempting to make himself of par value this youth will lose job after job, although perhaps striving with all his honest efforts to fit himself for the place in which he has landed.



The most adaptable period of his life, the years in which he might be laying the secure foundation for some trade or business, developing character, earning steady wages and acquiring loyalty both to his trade and his employer, are spent as a chance messenger or errand boy, or hanging around the streets or pool rooms. Many of these boys want work and need it. Industrial education is solving the problem in many instances. Authorities feel that learning only a part of a trade is one of the chief disadvantages of many present-day apprenticeship systems, that establishments have become so large and have so many departments that the time of the apprentice is fully employed in mastering details of one department to the exclusion of all other departments.

**A**PPRENTICESHIP *systems of the old-fashioned kind are rapidly giving way to training schools which avoid specialization evils by all-round preparation.*

The old-time apprenticeship system, except in a very few cases, has disappeared within the last thirty years. Toward the latter part of the time the system was still in operation there was such a demand for men that a strong tendency existed to use the apprentice as an operator long before he was thoroughly versed in all phases of his trade. As a result of this state of affairs, the apprentice started out as a rather poorly equipped journeyman.

Manufacturers found themselves seriously hampered by a lack of skilled workers. So many of them have established apprenticeship schools. Training in these schools differs from that furnished by the old apprenticeship system, in that the object in view is to give the boys instruction in such subjects as mathematics, mechanical drawing, and so on, necessary for a more rapid

advancement in their trade, as well as in the complete practical training. Instead of being "bound out" to some man, as formerly, each apprentice to a different man, one skilled employee have charge of the boys and is their instructor.

The term of indenture is generally four years. The boys are taken from their shop work and required to attend the school a certain number of hours each week. At the completion of the term bonuses of varying amounts are generally given. As a rule, lesson sheets prepared by instructors take the place of text books, these sheets closely following the work which they are performing in the shop.

This modern system has an advantage over the old one because greater care in laying out courses and careful watch of shop work enable the boy to get in a shorter period of time the fundamentals that go to make him a skilled workman.

In a large Illinois factory employing several hundred men the employers were many times greatly annoyed in trying to secure adequate help. They finally decided to open a school for apprentices in their own plant. This school was organized along lines that met the demands of both employer and apprentice. It has the following advantages: first, it is within the walls of the plant; second, the boy is learning a definite trade and becoming versed each day in its needs and possibilities; third, the work is just what he will have to do when he graduates; fourth, he is under the constant supervision of an instructor.

Besides being taught the trade, the boy continues his school studies under competent instruction, being taught the things that are most applicable to the business and trade, and studying half a day in the school. He works

the other half day in the shop, thus immediately becoming a wage earner.

A special room is provided for the school. One part is equipped as a modern school room and the other part as a model workshop.

The general academic instruction is similar to that carried on during the first two years of a high school course, but those studies or parts of studies which bear directly on the business are particularly emphasized. For instance, arithmetic is reviewed from the factory side. A specially applied arithmetic, much condensed as compared with the ordinary text book, has been prepared, and bookkeeping, algebra and geometry are similarly taught.

To be admitted to the school a boy must be a grammar school graduate between fourteen and fifteen years of age; his school work must show good standing, and if it is deemed necessary, he must pass a physical examination. He must have good moral character and be desirous of learning the trade. His parent's or guardian's promise to cooperate with the company in looking after his welfare is also secured.

Although application is generally made by letter, both the parents and the applicants are finally interviewed personally. If all is satisfactory the boy is given a fair trial, and if both parties are then satisfied a two-year pre-apprenticeship agreement is signed. During this time the firm offers to teach the boy, with the provision that if he is satisfactory to the employer he shall contract for five additional years as a full apprentice in such department as the firm deems best suited to his ability. The parents must agree that the boy shall remain until the trade is learned.

Monthly reports inform the parents of the boy's



progress, conduct, adaptability, improvement and efficiency. At the end of the pre-apprenticeship period, if his work is satisfactory, he is taken on for a full five-year apprenticeship term, at the end of which time he is a finished workman.

**I**NTELLIGENT *direction of the boy's efforts along practical lines gives him a broader view and makes him a workman rather than a mere machine.*

Pre-apprentices whose average standing for six consecutive months is 95 per cent or above, are given a bonus of \$24 semi-annually in addition to their regular wages. When the apprentice begins the second year of his regular apprenticeship one dollar each week is deposited to the joint account of the firm and the apprentice. This sum is paid at the end of the term as a bonus for good work and is no part of the regular wages. Two weeks' vacation on pay is allowed each student whose average standing is 95 per cent or above.

The agreement guarantees to the boy steady employment at a regular increase of wages and a chance to learn a complete trade from A to Z under competent and careful supervision. The boy realizes that promotion depends upon himself and that he must do work up to a certain grade.

Actual factory methods are taught and the apprentice is accustomed to factory work. He works side by side with experienced workmen. In the school a thorough training in English, applied arithmetic, elementary science, mechanics and applied art is given. The library includes standard literature, trade journals and the latest catalogs. The object of this course is not only to develop first-class workmen, both in theory and practice, but to provide each apprentice with a general,

practical education that will fit him for his duties as a reliable, broad-minded citizen.

In some concerns it is the practice to apprentice the boy, not to the journeyman master, as in the old apprenticeship system, but to a department, the foreman of which is supposed to look after the boy. In one factory, in order that the foreman's time may not all be taken up with instructing, a training room has been established. The principal machine tools in this room are placed under the direct charge of a practical mechanic and his assistant. These instructors tell how and why the work is done. The boy is taken directly into the training school and serves a period of two months under observation and instruction. While he may be willing to become a mechanic, the firm wants to find out if there is a mechanic in him. If he stands the test he engages on a period of four years' apprenticeship, receiving fair wages, which are increased each year, with a bonus of \$100 at the end of his term.

These boys do actual work that would otherwise have to be done in the shop. They do more. When an apprentice has mastered one branch, he is not allowed to take up the next step until he has broken in a young apprentice who has just come.

Such team work gives excellent results. A large number of apprentices are handled with few journeymen instructors. While the training produces specialists eventually, they are "all around men" first.

In one company the general supervision is entrusted to a wise, practical, fatherly man, who has passed the most of his life in the service of the company. The boys are also carefully watched by each foreman and records kept of their progress and efficiency. A boy whose record for both shop and school shows a standing of 95

per cent is given a handsome cash bonus at the end of his apprenticeship. If he shows a better standing than 95 per cent and seems to have executive tendencies, he is given a double cash bonus. Should he happen to develop extra adaptability along certain lines, the company gives him, at its own expense, training at some first-class technical school, working one week in the business and one week in the school.

One factory, which has had several years' experience with an apprenticeship school, claims to have had but two boys who ever "went wrong." Their graduates develop into upstanding, practically educated, loyal, reliable young men who make the best of citizens.



**EVERY ONE** *who employs labor knows that some men can do two or three times as much work in a day as others. This is not so much physical capacity as it is a certain native ability in the man which enables him to get quicker results than his fellows. He may use less exertion, he may even have less general ability, but he knows how to separate the chaff from the wheat; he seems adapted for that class of work in which he is engaged and his productive capacity exceeds that of his neighbor.*

—W. L. Saunders



## XVII

# HIRING AND TRAINING OFFICE HELP

By Marshall D. Wilber  
President, Wilber Mercantile Agency

**T**O MY mind, hiring an office boy is just as important as engaging a chief clerk," said the office manager of a well-known concern. "And it might be considered even more important, because the right kind of a boy, trained right, has greater possibilities and may in time prove more valuable to the firm than the older man. The office boy of today may be the executive ten or twenty years hence."

Any office manager who has once had a really good office boy appreciates his value and knows that it is worth while to go to some trouble in finding and training this employee. Ordinarily the best boys are those who come from families of the middle class and from homes where they have learned the importance of honesty and obedience. Those who contribute at least a part of their earnings to the family support are most satisfactory.

Boys about fourteen are most suitable, because if they are older than that they are inclined to feel above their work, while younger boys seldom have the requisite education. Demand a thoroughly good knowledge of reading, writing, spelling and arithmetic. But even more essential than the education already possessed, look for the ability to pick up duties quickly and the ambition

to develop as a business man and win promotion.

Choosing and hiring, however, are only the first steps in handling an office boy. He must be developed by the office manager or others who direct him. This necessitates a thorough understanding of the boy himself and square treatment of him at all times. More than almost any other employee in the office, the boy is affected by the treatment accorded him, for he is just at the age when his character and habits are most subject to outside influence.

**O**FFICE boys should be selected with care and trained with a view to having them assume larger responsibilities—how to select good stenographers.

Comparatively few office executives seem to realize the value of having a thorough understanding with all their employees, even to the office boy. When he is engaged he should be told clearly just what is expected of him and what he may expect from the firm. There can be no better way of handling him than by giving him specific things to do and impressing him with the fact that he alone will be held responsible. If his duty is to carry notes and papers between different departments of the office, show him that that is a division of work which he alone has in charge. If he is stationed at the information desk to receive and report visitors, impress him with the fact that he is in a way a department head, an executive on a small scale. This can scarcely fail to prompt him to do his very best.

More than this, however, a boy should understand that the firm is anxious that he should fit himself for something better. From the very beginning he should be given all the help and encouragement possible. No office manager can make a mistake by getting acquainted

with his office boys and making them feel that he has a personal interest in them and their success. A kindly word of greeting in the morning, or an occasional commendation when work has been well done will go far in inspiring the boy's interest in the work of his employer.

The hiring of a force of stenographers differs from the engaging of most other office employees, in that a certain degree of efficiency is required of the beginner. In selecting a stenographer from a number of applicants, little can be judged except from recommendations based on past work and the apparent ability of the candidate. Test letters at the time of the first interview are of little value, except to show how efficient the applicant is in grammar, spelling and punctuation. The average applicant is inclined to be nervous on taking first dictation from any one, and no candidate should be refused simply because of failure to take dictation correctly at the first endeavor.

Probably no quality in a stenographer is more appreciated than absolute secrecy with respect to the affairs of the firm. The average employer wants the particulars of his business never to go outside his office door. The most desirable stenographer will always show the greatest discretion in keeping to herself even the most trivial details concerning her employer's affairs.

Every executive should train his stenographer to be, in fact, a private secretary, to take care independently of the details of his work. Some employers do not realize how much of their work could just as well be turned over to an assistant.

Some executives answer only a very small percentage of their letters by personal dictation, turning the great mass of them over to a stenographer with brief instructions as to how each letter should be treated. This not



only relieves the executives of a great deal of detail work, but develops stenographers and fits them for higher positions.

The executive who has a number of stenographers in his department cannot be too careful in seeing that they are given a square deal and that each one is suitably promoted or given better pay as ability warrants. A firm's reputation with respect to its treatment of its employees travels fast and once a concern is known to ill-treat its stenographers, it cannot hope to have their enthusiasm in its work or get the best service from them. Frequently trouble or lack of fairness among the stenographers is due to enmity on the part of some sub-executive.

"My youngest stenographer, Miss McGuire, was reported by my head stenographer as not making good," said the manager of an eastern concern, "and I advertised for her successor. The advertisement called for an experienced stenographer and typewriter capable of handling correspondence and of acting temporarily as office manager. I signed it with a newspaper number.

"In the first twelve hours I got 156 answers. Some were written with pen and ink and on the stationery of the most expensive hotels in town. Others were badly spelled or sloppily typewritten. One applicant sent a carbon copy of a letter originally dated 'Nov., '06'; the date was crossed off and the new date inserted in pencil. One envelope had a special delivery stamp on it and had been mailed before 9 o'clock the morning the advertisement appeared. It was from Miss McGuire.

"It was a clean-cut business letter and closed with the sentence, 'My reason for wanting to leave my present employer is that there are three stenographers ahead of me and I am not getting a square deal from the head

stenographer. I could make good right here if I was willing to squeal to my employer. Kindly consider this confidential and oblige, very truly yours.'

"Inside of a week I had the tangle straightened out and had discharged three stenographers. Miss McGuire, with one assistant, is now doing the work that the bunch were doing before."

**C***A**R**E* needs to be exercised in hiring office clerks—  
*qualities required for the position and the kind of  
man best fitted to perform the work.*

In no class of employees is it more difficult to get competent men than in office clerks. Clerical work demands a number of qualities almost impossible to judge until an applicant has been tried out in his specific work. Modern business done under high pressure demands absolute exactness in all its records and reports. Hence the good clerk must have a combination of speed and accuracy. Every large business must have a department devoted simply to the correction of errors in its records of transactions. The man, therefore, whose figures can be depended upon is welcome in any accounting department.

There is a notable tendency on the part of extensive employers of clerical help to enlist their men from the ranks of college graduates. In many business offices there is a prejudice against the college man because, it is said, he considers himself too good to begin at the bottom and work up. Statistics, however, show a large percentage of college men in clerical positions and the great majority of them are making good.

One manufacturing concern in the middle west adopted the policy of starting a number of young college men in its offices each year at nominal salaries and advancing them as their ability became evident. The

records of this firm now show that over 90 per cent of these men made good, as compared with 10 per cent of the non-college men who were taken in under similar circumstances. Today a majority of the executive officers of this company are college graduates and the engaging of college men in all departments has become a fixed policy of the firm.

When applicants are being considered for clerical positions or other departments of office work, the employer can ordinarily depend more on the general past associations and training than upon particular evidence of ability at the time of his interview. Influences of early life go far toward laying a foundation for future development. This is particularly evident in the case of men who spend their early life on farms or in small towns and villages. This does not infer that city-bred men are incompetent, but simply that records show the greater percentage of success on the part of the country boy. The country youth, while he may be inexperienced in the line he undertakes, is not afraid to work. He is honest, loyal and willing to start on a small salary and ordinarily his habits are good. These are the prime qualities you need in any office employee, qualities that will make the new recruit in a few years one of your trusted executives.



*ALL the great creators of the world have planned out their creations to the smallest detail; all great achievements have first existed in the mind of some man.*

—Clarence M. Woolley

President, American Radiator Company



## XVIII

# BUILDING UP A RETAIL SALES FORCE

By C. M. Jones,

Formerly Superintendent, The Fair, Chicago

**I**N A retail establishment the superintendent should hire all but the lowest grades of employees himself. To handle such work, which in the course of two hours may demand interviews with between one and two hundred applicants in order to select twenty, he must be a keen judge of men and women, an observer of human nature. This ability requires long experience in handling men and detailed information regarding the needs of the store itself.

It is valuable to have applicants fill out the usual application blank—giving their name, address, previous employment and employers, and references. Aided by his observation of an applicant's personal appearance and general make-up, a shrewd observer from wide experience with this class of people can read in a few written facts the history of an applicant. He is forced to rely principally upon these facts. The references can only be looked up after the applicant is hired, and are chiefly of use for verification.

It is not the best policy to ask written answers to exhaustive and intimate questions. They can be secured in the course of a short conversation almost without the applicant's knowledge. Applicants object to answering in writing inquiries regarding their family history, their



circumstances, living expenses, and so on, because they think an employer has no right to ask them. They do not understand that you ask because you want to know whether they can live on the wages.

Competition demands that we pay what the labor is worth, not what the laborer is worth. A girl earning six dollars a week may be capable of filling positions which pay ten dollars, but as long as she is filling the six dollar position her work is worth only six. It is our advantage and duty to put her in the ten dollar class as soon as possible. In common with all employers who wish to build up an efficient force you often pay more than the competitive price, when you know that an employee can not support himself and those dependent upon him on the standard wage—for no employer can afford to have employees so underpaid that they must seek outside sources to eke out a necessary income.

When a man is employed, it is wise to send him first to his department head for instruction in his specific duties. If a salesman, he should study the stock behind the counter sufficiently to present it to the customer. The department head and the assistant superintendent can keep their eyes upon employees, especially the new ones, and be ready to answer questions regarding the stock or give detailed instructions in regard to the goods and the finer points of salesmanship.

**M**ETHODS of employment and training followed by  
a large retail department store to secure efficient  
and loyal employees—judging the applicant quickly.

A series of lectures will help when instructing employees. They can be delivered informally during the dull hours of the day. They usually treat of some phase of salesmanship or individual betterment, and if the



lecturer is a regular employee of the store, they will be particularly strong, since his regular work enables him to draw his suggestions and illustrations from the life of the store itself. The lectures may be written along general lines laid down by the superintendent and revised by him. The lecturer can be admitted into conference with the department heads or officials, so that he may understand the points on which the superintendent is working and grasp the needs of the store.

A feature which will bring good results is the introduction of special salesmen, or men and women experienced in retail selling. They walk about the part of the store assigned to them, and when they see a dissatisfied customer or a salesman in difficulty, go to the rescue.

FORMER EMPLOYEE'S RECORD			
NAME		ENTERED	
NUMBER		LAST DAY WORKED	
ADDRESS			
RECORD OF SERVICE		CHECK CAUSE LEFT	
ABILITY		RESIGNED	
DEPARTMENT		LAI D OFF	
WORK		DISCHARGED	
IS THERE OBJECTION TO RE-EMPLOYING?			
REASONS FOR NOT RE-EMPLOYING			
CLASS OF WORK PERFORMED			
EDUCATIONAL WORK DONE			
SEE FILE ENVELOPE			
SIGNED			

*FORM II: Concise information here given tells the story of each past employee, and is invaluable wherever re-employment is under consideration*

Very often they succeed in making a sale when a customer has left the counter without buying.

Accurate records of each salesman's time and his weekly sales are worth keeping. Yet these black and

white records are not, after all, the more important elements in the handling of employees. The impression that the clerk makes personally upon the employer is really most significant. For this reason the personal

<b>NOTICE OF EMPLOYMENT</b>	
NAME	NO.
DUTIES AND DEPARTMENT	
<b>EMPLOYMENT REQUISITION</b>	
DEPARTMENT	DATE
RATE	WORK TO BE DONE (STANDARDIZATION NUMBER, IF STANDARDIZED)
EMPLOYMENT	
DEPT. HEAD	
SEE FILE	
MALE OR FEMALE	<b>LEAVING NOTICE</b>
NAME	NO.
AGE	CASHIER PAY THROUGH
REMARKS	REASON FOR LEAVING
FILLED BY NO.	
DEPT. HEAD SIGNATURE	APPROVAL OF LEAVING, DEPT.
	APPROVAL OF LEAVING, EMPLOYMENT OFFICE
	MANAGERIAL APPROVAL OF LEAVING, IF INVOLVED
	RECORDS MADE BY
	ENVELOPE
	(DUPLICATE TO CASHIER BY EMPLOYEE)

**FORM III (back card):** This slip is sent to the department head. **FORM IV (middle card):** Requisition for help placed by the department manager. **FORM V (front card):** Notice of an employee leaving is given on this card

touch between the two, the human side of their relationship, is to be particularly emphasized and developed. Encourage all employees to come to the superintendent at any time, and never allow him to refuse an interview. Let clerks take care of the records—written facts are dead, and cannot be stimulated. Use personal contact and knowledge of an employee—with the records to fall back upon—urge the superintendent to spend three hours a day in his office, six around in the store among your employees—if you have no superintendent, go

yourself. A man looks different at ten in the morning, filing an application for a position, with his best clothes on and his best foot forward, than at four o'clock in the afternoon, leaning over a counter.

Sometimes able work may be rewarded with an immediate increase in salary from the superintendent. In some instances department heads recommend a raise, but usually the employee will ask for it before its necessity becomes altogether plain to his superior. This is to be encouraged, not frowned upon. Very often the increase is justified and in any event it is well to know what a clerk thinks of his position. It is better to go to the trouble of convincing him that he is receiving what he deserves, as shown by his sales record, than to have him brood into chronic discontent.

Suggestions as to changes in stock, or in management details, may profitably be invited from your salespeople. They can be required whenever goods are asked for which the store does not carry or has not in stock, to make out a special report.

If you lead an employee to feel that his side of the question—his opinion, his suggestion—is going to be considered and to know that his relations with his employer are those of one human being toward another, you have done much to make him contented and efficient.



**S**HOW me a house where all the employees are educated to think kindly of the customers, so that in speaking of them even they use courteous phrases, and I can safely predict for that house a rapid and continuous success so long as that policy prevails.

—Daniel Louis Hanson

Sales Manager, The Federal Company



## XIX

# LEGAL POINTS IN HIRING AND DISCHARGING MEN

By Arthur E. Goddard

**P**RACTICALLY every man in the business world is a party to one or more contracts of employment, either as employer or employee. Thousands of such contracts, oral or written, formal or informal, are made every day, usually with little care and consideration and very seldom with a definite knowledge of the legal effect of the transaction.

There are generally few questions of importance which arise in connection with the employment of ordinary "help." Applicants answer an advertisement in the newspaper; they inquire "at the office" and "begin work next Monday" at so much a day or week. The hours of work and other small details are either understood or quickly arranged with the superintendent or foreman, and a simple daily or weekly contract of employment has been made, terminable by either party at the end of any day or week, as the case may be; and, in the absence of express agreement or firmly established custom, terminable at the end of such a period without notice. In general, little attention is ever paid to the fact that there are actually laws governing these matters.

Although the same general legal principles apply to the case of clerks, stenographers, bookkeepers and other subordinates employed by the week or month, yet on

account of the greater dignity of their office and the closer personal relation with their employers, custom and perhaps to some extent law require a rather more ceremonious treatment of their relationship than in the case of an ordinary workman.

In this country they are rarely employed by the year, although of course there are exceptions. From the nature of their employment they are generally held to be employees either "at will"—that is, dischargeable at any time without notice—or at most employed by the week or month, dischargeable at the end of any week or month as the case may be without notice and without cause. The contract comes to an end at the expiration of each such period and either party may decline to renew it for any reason or for no reason at all.

**C**ONDITIONS of employment—when the employer may discharge a man and for what—duration of work—what specifications to make in the contract.

An employer has the absolute right to discharge for late arrivals at the office, early departures, relatives' funerals and other interruptions in the service whether attributable to long evenings the night before, baseball games in the afternoon, or even actual illness.

There is another sort of employment of more importance because of its longer duration and the greater amount involved. In this class belong managers, superintendents, executives, editors, and a host of other employees ranging from traveling salesmen and bookkeepers to railroad presidents, who hold office under a more or less permanent tenure and whose compensation is politely called "salary" instead of "wages."

If the contract of employment is to last for a longer period than one year from its date, it must be in written

form, either in a series of letters or otherwise, and signed by the party who is to be bound or his authorized agent. If this is not done, the contract is absolutely void under the Statute of Frauds.

Even if the contract is to run for one year or less, it is vastly better to have all of its terms in writing so that nothing will be left to oral understanding. A difference as to one or two words of the agreement may involve an entire year's employment.

There is no general rule in this country, as there is in England, that an employment for an unspecified time is employment for a year. Here an employment for an indefinite time is one at will; that is, either party may terminate it at any time without notice. On the other hand if the words or acts of the parties, or the circumstances of the employment, show an intention to make an agreement for a year, they will be bound for that length of time even if the employee is to be paid at the rate of so much a month, or even a week.

For instance, the owners of a hotel wrote to the manager of a hotel in a distant city offering him a position as their manager at a salary of \$200 a month with rooms and board for his family. He accepted the offer and brought his family with him. He was discharged after a few months and sued his new employers for the balance of a year's salary. They defended on the ground that his employment was paid by the month. The court held, however, that on account of the nature of his employment, taken together with the fact that he was known to have a large family and had brought them from a distance of hundreds of miles, the parties must have contemplated a year's employment at least, and the ex-manager won his case.

The provision that the employment is to continue so



long as the employee proves "satisfactory" is to be avoided by an employee who needs to make sure of a permanent position so long as he does good work, since in general when this provision is inserted, the employer is made the sole arbitrary judge as to whether the work is satisfactory. It is advisable to have all such matters settled and in writing.

In the absence of a special agreement, no notice is required of either party in this country. Either may end the employment upon the very last day of the term, whether it be by the week, month or year. As notice is often desirable, it should sometimes be provided for in the contract of employment.

Unless the contract provides that this notice may be given by mail, it should be delivered to the other party in person, preferably in writing.

In one case in New York an actress had been employed for the season, unless her employment should be terminated by two weeks' notice. Instead of delivering the notice to her in person, her employers posted it upon the door of the green room, as was their custom. It was a simple matter for the actress to testify that she did not see this notice and of course the jury took her view of the matter.

If an employee is allowed to continue in the service of his employer after his contract of employment has expired, the contract is automatically renewed for another year, month or week, according to the length of the term of the original contract. For this reason, unless the parties intend to renew the entire contract, they should make a provision for such a continuation, either in the original agreement or at the end of the term.

The employer, however, has several causes for discharging an employee. In addition to the case of illness

or disability mentioned above, he has the right to discharge for any misconduct, inattention, carelessness, unfaithfulness, dishonesty, or insubordination, which does, or may, tend to injure the interests of the employer. Whether they are of sufficient importance or not, depends somewhat upon circumstances. In an actual case it was held that a superintendent with large discretionary powers, with authority over many subordinates, and having charge of a great mass of business detail, should not be held to the same exact obedience in a trifling matter as an ordinary clerk.

An employee who is discharged and wishes to contest, should be careful not to acquiesce in the discharge any further than to leave. His acquiescence may release his employer from all liability. If the discharge is not absolute, the employee should tender his services until they are refused.

Wrongfully discharged, an employee may require his former employer to make good any loss of salary, but he is bound to seek other employment of the same kind, in the same general locality, and must deduct his earnings from the damages. He is not bound, however, to accept employment of a substantially different kind, nor to account for what he may earn "after hours" in his new employment.



**THE** executive must also be an inventor: he, too, studies out a working machine, where all the parts are to work in harmony to produce a given result; but he deals not with inanimate material, but with men with wonderful possibilities and initiative to help or hinder the working of the great organization.

—James Logan

Chairman, Executive Committee, United States Envelope Company

## PART IV—HANDLING AND PAYING HELP

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### *Working the One Best Way*

**R**EALLY efficient labor can only be obtained and continuously maintained when the three following conditions are fulfilled:

That the method of working is the best we can devise;

That the workman is trained to become expert in following that method;

That he is rewarded liberally for success.

If these three conditions are intelligently adhered to, the employer can pay his workman higher wages than any union will ask.

We all know that unless workmen are trained alike, hardly any two will do the same piece of work by exactly the same method. There is a best method of doing everything, but we seldom arrive at it without careful study. As a matter of fact, the only way to find the best way of doing a piece of work is to analyze it into its elementary operations and determine separately the best way of doing each element. We can then find the time needed for each element and hence the total time required.

*W. L. Gantt*





H. L. GANTT

*Engineering and  
Scientific Management Consultant*

## XX

# PLANS AND CONTESTS THAT INCREASE EFFICIENCY

By William Hamilton Burquest

OUR clerks are getting stale," admitted the junior partner, snapping a rubber band around a pitifully small bundle of sales slips. He was store superintendent, and part of his job was to keep the clerical force "up to concert pitch."

"They are stale," declared the senior partner with a frown. He had been tempted by the unusual values of jobbers, and had loaded up with "mill-ends." These goods were now the drawing-card at the "mill-end sale"—an annual institution, the purpose of which was to induce buyers to visit the store during the dull season of mid-summer.

The "opening" and the first week had broken all records—in the matter of attendance. Customers flocked to the store. But with a taste both economical and discriminating, they confined their purchases almost wholly to the bargain counters. In other departments the women merely "shopped"—stopped, looked, gossiped, and took samples. The store was profiting not a penny from the sale. For this, the proprietor knew, the clerks were in a large part to blame. Their mental attitude, if put into words, would have been translated thus:

"The boss oughtn't to expect us to sell goods at this time of the year. It's trying enough, goodness knows,

to be polite to customers in this hot weather.”

“How about a prize contest?” suggested the junior. They argued the matter long; finally, like a flash, came the inspired idea.

“Let’s offer vacations on full pay,” the junior proposed, “to every clerk who increases her sales a certain percentage over the ‘mill-end’ of last year. We needn’t make the increase over twelve per cent to move every special you’ve bought and cut a big hole in our regular stock. To keep everybody on the jump till the gong rings, we’ll also promise three round-trip ticket to Chicago as extra prizes for the three high scores, and ten dollars in gold to the man or woman who makes the biggest individual increase. That’ll make ’em wake up all right!”

*VACATIONS on full pay offered by one concern to all employees who increased their sales by a certain per cent livened up the summer dull season.*

The senior partner objected. He didn’t believe in vacations—had never taken one in his life other than trips to buy goods.

“We can spare half our people next month,” the younger man insisted, “if only to keep them from getting lazy and bored. But we’ll profit on the deal. To earn a vacation a clerk will have to make money for us. And we’ll have a force in the fall with plenty of snap and ginger.”

He had his way. Details were worked out then and there, and marks set for clerks less than a year in the firm’s employ and for others whose records had been satisfactory. Announced next morning, the newspapers devoted considerable space to the contest.

In the store an instantaneous change took place.



Every clerk was charged with energy. Real salesmanship was devoted to listless bargain-hunters and sample-takers. Patient urging brought out the needs of each, both current and future; then the remnant or article to satisfy such needs was dug out of the heterogenous stock. To reach possible buyers who did not appear, clerks wrote memoranda on postal cards furnished by the store, calling attention to special bargains, and mailed them to their special customers.

From front door to alley, from basement to roof, the store vibrated with vitality, and hummed with energy. After eight days of the contest, it became evident that every clerk in the store would qualify for the vacation with pay. The senior partner smiled as he telephoned for supplementary bargain lots to fill holes in the stock and provide the force with "something to sell" during the grand wind-up. The race for the round trip tickets and the added prize money became more engrossing every day.

The net gain over the preceding year was more than thirty per cent. More important far was the dynamic energy and added efficiency gained by the clerical force through rest and recreation unhampered by any worry over loss of wages.

Vacation contests have become a settled policy of the store. Moreover, the plan has been extended to cover the entire year. Each month, the three clerks with the highest selling records are given a day off, with a free junket to the state capital where they visit the big shops and attend the theatre—at their employer's expense. To equalize chances, the departments are grouped in three divisions, the groups changing as they enjoy seasonal advantage.

When the old-fashioned methods failed to work in

this case, a specific plan was devised to meet the emergency. You can try something of this kind in your business, or "follow the leader" in other ways set down here and secure top-notch efficiency. All that is needed is an appreciation of conscientious effort. In any commercial undertaking, latent ambition, the spur of competition and the human and harmless hunger of employees for pleasure, can all be coined into extra dividends.

**D**ISTRIBUTION of *business literature, free scholarships at technical schools and cooperative schemes are some of the methods which increase efficiency.*

Offering good "business literature" to employees—giving the books away, not circulating them, is the method used by the general manager of a big machinery house. He presents his salesmen, both in the house and on the road, with books on salesmanship and kindred subjects. He gives free subscriptions to magazines on business and selling to new salesmen.

"Our men seem glad to read these books and magazines. In several instances, notable improvements in salesmanship have been secured. There are many salesmen, naturally shrewd and business-like, who lack finesse and the potency of personality which grips a customer's favor. The literature we distribute deals with practical matters; the cultivation of personal appearance, good manners, the proper inflection of voice and such details in a salesman's make-up that go to make him interesting."

Another aid to superior salesmanship is found in snappy, business lectures, "live-wire" talks at regular meetings at the main office of a company. By one large firm of wholesale grocers, this is considered a great in-

centive toward top-notch effort. There is an annual gathering of road salesmen from all parts of the country. Several evenings are devoted to the discussion of matters of general interest.

The executives and heads of departments give instructive talks. New ideas are taken up and considered from the salesman's viewpoint, as well as the manager's. Withal, the amount of good fellowship brought about and the degree of enthusiasm promoted, constitute a source of great satisfaction to managers and officials.

A unique and desirable form of rewarding high grade work is the donation of free scholarships in technical schools. The chief executive of a western house manufacturing electrical appliances tried various schemes to speed up individual employees. All were unavailing, however, until he tried the scholarship idea. His explanation is that he made the mistake of watching the advance of all his men. After he had concluded that the majority of his men were going back, he found that it was only relative, and that, as a matter of fact, the great mass of the men were turning out just as many machines per capita as ever. Deciding to try something new, he sent ten men who had shown consistent advances to a technical school, paying their tuition and allowing them an average wage, for a special four weeks' course.

"The boys immediately woke up," he testifies now. "The competition was strong. Month after month five men were given this opportunity for special instructions, and the plan resulted not only in a largely increased general improvement, but in developing several extra-good designers, foremen and constructors who have been given new positions and higher salaries. Both old and young are eligible to this course of instruction. Our oldest em-



ployee was one of the first to win a course and made a creditable record at this school."

Coming now to a consideration of real profit sharing, the results achieved by one of the greatest of wholesalers are noteworthy. For the last five years, the pay of road salesmen has been based, not upon gross sales, as was the old plan, but upon the net profit realized. Not only are prices better maintained, but expense accounts are kept down.

"Our general scheme of paying road salesmen on what they make and not on what they sell is logical, fair and shrewd," says the president of the company. "The man who went out merely to sell \$250,000 worth of goods in a year, cared little what price he got. He made concessions too freely, and kept the average gains too low.

"Under our present plan the compensation of the salesman bears a direct relation to the profit on his business. When selling a merchant a mixed bill of dry goods, therefore, he resists the temptation to overload his customer on low priced lines because the additional items will bring him (the salesman) no additional profit. All the salesmanship he possesses is concentrated on the higher priced lines. This is profitable to the house, and in consequence pays the salesman better.

"Formerly, too, a salesman's expense account was always high. Under the new system the items come out of his own pocket and he is concerned about the odd dollar he used to toss to the porter. It has a positive value to him at the end of the year.

Cooperation makes the employee a vital part of the business. He is both worker and part owner. Taking the good men into partnership was Andrew Carnegie's pet hobby. An establishment in which all skilled employees were partners as well as workers would come

very near solving the labor problem. And the standard of efficiency would seldom fall below that of the largest active stockholder.

“Pay ’em and drive ’em!” was the eighteenth century rule. Profit sharing and stock distribution have become the ideals of the twentieth century. Between the two range various plans—all with the single purpose of securing greater efficiency among employees. If dealt with broadmindedly, and with some small degree of altruism, the human element in a business undertaking, regarded as an unstable factor, may prove to be a handle of opportunity in securing larger and better results, rather than a daily handicap and source of embarrassment.



**B**USINESS is not entirely a matter of dollars and cents, of organization and methods, of routine and detail. The more scientific business becomes, the higher the plane to which it develops, the more we must realize that business is human—that the personal touch is the strongest bond between the parties to commercial transactions—that man-power is an influential element in business.

—William Judson

President, Judson Grocer Company

## PAYING DIVIDENDS TO OFFICE WORKERS

By Kendall Banning

**W**ITH forty average employees in their offices, the owners of a thriving eastern business undertook two years ago to develop a livelier interest in the detail work of the departments. Profit sharing was taken as the basis, and a plan was worked out which gave each individual a share in the profits commensurate with his services, and a chance to enjoy a practical interest in the business itself. After two years' trial, the success of the experiment is beyond question, and the methods seem applicable to the solving of some of the stubborn problems in management which every office is obliged to meet.

The owner of a business is naturally more concerned with its success than a mere employee. Its growth adds to his labors, but its profits add to his wealth. Mistakes are paid for out of his pocket, and its progress or failure carries him along. It has been aptly said that "a business is the lengthened shadow of a man." To a peculiar extent, a man's business is a reflection of the individual himself, and its character, its methods and its development are determined by the personality which directs it.

To the average employee, a "job" is a means of livelihood. Under ordinary conditions he will develop that job until it becomes more valuable both to the business



and to himself. In many positions, however, especially those of a clerical nature, the workers fall into a mechanical routine which deadens their initiative and tends to keep down the quality of their work to a commonplace mediocrity. It was to avoid just this condition that this particular office organized an employees' co-operative association which has stimulated the entire organization, has materially increased the efficiency of the workers, and has added to their salaries by a system of cash awards for special services and money-saving suggestions.

**P**ROFIT *sharing and special prizes for time and labor-saving devices have been used to develop keen interest and high efficiency in one big office.*

Every employee is a member of the association. The association has a chairman, vice-chairman, secretary and treasurer, all of whom are elected by the members themselves to serve for a term of one year. Each member pays a monthly due of one quarter of one per cent of his or her salary. These dues make up a loan fund for the assistance of any member who may be in need as a result of illness or other emergency. When the fund reaches the sum of \$1,000, dues are discontinued until they are needed again.

The association holds two regular meetings each month. The "business meeting" is devoted to the affairs of the association, the election of officers and the discussion of business short-cuts and other suggestions made from time to time by the various employees. They are held on the second Monday of each month. The "educational meetings" are held in the office immediately after office hours on the fourth Monday in each month.

At each of these "educational meetings" an official

of the company or other business man addresses the members on some subject pertinent to the business, and one of the employees is designated by the chairman to describe in detail his or her part in the day's work. A regular schedule of these talks is kept and each member has his turn to make a talk.

Other members are also expected to offer any suggestions they may have for the facilitation of the work described. Such suggestions are not discussed immediately, but are held over for consideration at the next meeting. In this way each employee is made familiar with the details of the business. It is often found that much time may be saved by transferring some work from one person or department to another which may in some way be better equipped to handle it, and in case of the absence of one of the employees, to distribute his tasks among others and thus prevent the work from getting behind.

The profit-sharing feature of the association is arranged on a dividend basis. At the end of each year, every employee is given a bonus equal to a certain percentage of his or her yearly salary. This percentage is based on the profits of the business for the year, and is determined by the executive officers of the company. Last year, in addition to salaries, \$2,000 was distributed among the members of the association as a bonus, on the basis of six per cent of the yearly salary of each employee.

When the association was organized, a system of merits and demerits was inaugurated. These merits and demerits are based on a unit of five dollars and are credited to or deducted from the amount set aside for the bonus at the end of the year. Last year, the merits exceeded the demerits, and the bonus was increased one and one-

half per cent, making it seven and one-half per cent of the salaries. One clerk, who drew a salary of \$1,000 a year, received in addition a bonus of seventy-five dollars, while stenographers who make eighty dollars a month got a bonus of seventy-two dollars. Five per cent of this is paid at Christmas and the balance on demand after the first of the year.

The merit system affects each worker's pay. A merit is awarded to any one who suggests an acceptable "short-cut" in business, or any system which will save time, labor or expense in any branch of the business. The name of the employee to whom the merit is awarded is posted on a bulletin in the office, together with a description of the improvement suggested. This bulletin is counted as a roll of honor, and the services noted are recalled when promotions are made.

The largest merit was fifty dollars for a suggestion made by the assistant treasurer for the simplification of one of the complicated details of the business. Formerly the checking department kept large books of checking sheets where the record of each customer was maintained. It was necessary for the accounting department to wait until the end of the month, then transcribe the records from the checking sheets in longhand and turn them over to stenographers to be typed for billing. As a result of this cumbersome system the accounting department fell behind more than a month on the books and a corps of public accountants was called in. The accountants installed an elaborate system which did not prove effective, as the same delay recurred in less than three months.

Then the employees got together and worked out a plan whereby the two departments were practically combined. Several changes were made in the checking sheet,



and a form was designed for an itemized bill to correspond to each checking sheet, and to be commenced the first of each month. These bills are so designed that certain figures, which must appear in the office duplicate, can be detached from the original, by means of perforated margins, before sending them out. The bills are arranged in the same order as the sheets in the checking books, and original, carbon and duplicate are held together with paper fasteners. At the end of the month it is now necessary merely to fill in the total space and rate columns and the bills are ready to be sent out. The improvement meant a saving of several hundred dollars annually.

**A**WARDS are open to all employees, from office boy to treasurer—demerits against entire departments for individual delinquencies stimulate team spirit.

Another typical award of merit was made to a young fellow who had just been advanced from office boy to assorter of newspapers. This boy's duty calls for the assorting of a large number of newspapers, which are placed in tall stacks and passed to the checker. The papers were returned to the assorters in all sorts of shape; frequently the stacks had fallen over and it was necessary to spend a great deal more time in sorting them again before filing.

One evening, at home, this lad made a wooden box about three feet deep and proportioned to hold the largest newspaper folded twice, with a slot down one side about four inches wide and extending to the bottom. Several of these boxes are now in use; the papers are sorted into them alphabetically and the boxes are passed on to the checkers, who in turn check the advertising and drop the papers in reverse order into another box.

This keeps them straight until they are returned to the sorters for filing. It is necessary then only to transfer them from the boxes directly to the files, saving a great deal of time and labor.

Another example of the value of the organization to the company is furnished by an instance when a twenty-five merit was awarded to a clerk for suggesting a combination voucher check which is found to save hundreds of dollars annually. Formerly, in sending out checks, it was usually difficult and frequently impossible to get back the receipted bills. Much money was spent for this purpose in postage alone, as it was necessary in all cases to place the receipted bills in the hands of clients. By the use of a special voucher form, it is only necessary to fill out both check and voucher and send them to the debtor. He must sign the receipt before the bank will accept the check. The bank returns the cancelled voucher-check and the receipt portion is detached and sent to the customer.

Similarly, merits are awarded not only for short-cuts, but also for special work which increases the efficiency of the organization or shortens the regular work. The five dollars thus earned is not paid to the individual but credited to the funds of the association and all the members profit in proportion to their respective salaries.

An extra bonus of five merits, twenty-five dollars, is added to the fund for each month during which there are no demerits. Demerits are given for mistakes which entail the loss of money, or cause such inconvenience or delay as to necessitate the sending of a letter of explanation to a customer. It may be only a typographical error on the part of one of the stenographers, but if it is of a serious nature and is not noticed in time for correction before going out, her department is given a demerit

and the description of the mistake is posted on the bulletin.

Employees report their own tardiness in coming to business. If any one is late one-third of the total working days in the month, his department is given a demerit of ten dollars, which is charged against the bonus fund. The amount of the demerit is not charged to the individual, but is deducted from the bonus fund, and every member must share the loss or the consequences of the mistake. This has the moral effect of making each employee more careful than he might be if he had to stand the loss alone. If any employee is responsible for continuous mistakes through carelessness, correction of the fault or resignation from the company's service is suggested by the other employees.

Since the inauguration of this system, the percentage of mistakes made in the routine of business has been reduced fifty per cent. As a result of the numerous short-cuts suggested by the different employees, the entire organization has been raised to a plane of more than average efficiency.



**E**ACH employee is an indispensable unit in the operating force of the modern office. No matter whether it be the office boy, receiving cards of visitors, the stenographer, handling in her work important secrets of the firm or executing details of correspondence; the office clerk, recording, computing and analyzing the month's sales or the year's profits, each is playing an essential part in the business game, and each is deserving of proper credit and consideration on the part of the man higher up.

—Marshall D. Wilber  
President, Wilber Mercantile Agency



## PLANNING AHEAD FOR THE WORKMAN'S NEED

By F. M. Feiker

**I**T RIDS me of a lot of worry," said the superintendent of labor for one of the largest concerns of its kind in the world. "Before our benefit association was formed I had dozens of little complaint cases to look after. A man would meet with an accident; a few days later, a lawyer who made his living by following up such cases, would present a claim for damages; or the bread-earner of the family had the grippe and wouldn't be out for two or three weeks. In the meantime his family would depend upon the grocer and butcher.

"Now, these cases and others are attended to automatically. A mutual association looks after the man's health and pays the bills."

This is the viewpoint of the man who handles men intimately. It makes clear one of the practical, mutual advantages of employees' relief, benefit, pension or mutual associations, as they are termed.

In all lines of work, in factories large and small, there is a tendency today to substitute for the haphazard methods of the past a definite plan for the relief of workmen who are incapacitated on account of accident, sickness or disability which results from advancing years. Many a factory superintendent has paid the grocer's bill for

an employee in need. On the other hand, many bitter quarrels have arisen between workmen and firm because of damage suits. Many owners have for years acted with humanitarian motives in standing between their employees and want. But, until recently, the business advantage of having a plan for handling such cases automatically has never been considered in any general way.

A mutual benefit association is merely a mutual insurance society in which the parties to the contract are employer and employee. The employee pays dues to a society in whose management he has a voice. The company pays some of the overhead expenses of the society (depending upon the plan proposed) for the benefits which it receives. The plan is developed in different ways in different companies. Some of the mutual benefit associations have been established for many years and interesting stories are told of their early development. One of the most interesting of these plans is that of the Allis-Chalmers Company.

*SICKNESS, injury and death benefits, with free physician and hospital service are the aims of a highly successful mutual aid association in one concern.*

The formation of this mutual aid society for the workmen came about almost by accident. In the fall of 1883 in what was then the "new" carpenter shop of the Edward P. Allis & Company's Reliance Works, a house warming and banquet was held. After the evening's entertainment it was found that there was \$65.10 in the treasury. It was suggested that the sum be laid aside as the nucleus of an aid fund for the use of needy employees. After canvassing among the men, it was found that three hundred were willing to cooperate in the formation of a society, for which an initiation fee of

fifty cents and dues of twenty-five cents per month were agreed upon.

After the society had lived successfully for three months, Mr. E. P. Allis, president of the company, volunteered to duplicate, man for man, all dues paid in by members. The first year's membership reached a total of five hundred and thirty-three and, a year after consolidation into the present Allis-Chalmers Company, the membership grew to over thirteen hundred. It has now about doubled its size.

The plan under which the society operates is at once simple and effective. A member who is injured while in the shops or on business for the company is entitled to seventy-five cents a day during his disability, not exceeding ninety days in any one membership year, and the amount he can draw each year is limited to \$67.50.

In case of sickness, the member is entitled to the same benefit after the first week. In addition to the weekly amount to which the man is entitled, he may also avail himself of the services of the society physician free of all charge, from whom he obtains medical attendance, medicines and dressings. If the services of a specialist are required, this expense is also borne by the society. In the event of the death of a member a benefit of one hundred dollars is immediately paid to his family.

The physician who is employed by the society is chosen by direct vote of all members. Once when the physician was to be chosen, there were ten candidates, and the man to whom the choice fell received over half the total vote. He holds a contract with the society for a period of three years, or until removal. His salary is one dollar for each member per year. The choice of physician is conditional upon his residence within easy access of the works. He is required to appoint a substitute who



may be called in the absence of the regular physician, for the convenience of members at either the West Allis or Reliance Works. The society physician is required to make at least one official visit daily in every case requiring treatment, until recovery. His signature is required in all cases before benefits are paid.

The working plans by which the Mutual Aid Society governed itself were long believed to be comprehensive enough to provide for the pressing needs of all injured and sick members. But it developed that men were sometimes so injured that long periods of disability followed, which soon exhausted the provisions made for them by the society and sometimes left the men destitute.

In the hard times following the depression of 1893, these conditions became so acute that it was necessary to provide additional relief and the result was the founding of the Allis Relief Fund. The entire income for this fund is the result of benefits and entertainments, including an annual ball held under the auspices of the aid society.

From the first the custody and control of this fund have been retained by the society. The limited amount of income early showed the necessity of restricting the aid to be granted any one individual and accordingly it was enacted that aid to the extent of fifteen dollars per month be granted to an injured or sick employee whose case was known to be worthy of such support.

Although the provisions of both society and relief fund are very modest, after long experience they have proved to be sufficient for the main wants of those in misfortune, and the cost to the individual is very low.

The management of the society's affairs is left entirely in the hands of employees, and although the company yearly contributes thousands of dollars to its treasury,

duplicating the amounts contributed by members, it has no voice in the management. It merely stipulates that medical attendance be given to all who are injured whether they are members of the society or not.

The general officers of the society are president, vice-president, secretary and treasurer. An executive committee of eighteen, made up of representatives from each shop and subdivision, is the actual governing body. This body controls all money and transacts all business connected with the society and relief fund.

Some idea of the importance of the society's transactions may be deduced from the fact that since its founding the total disbursements are upwards of one hundred and twelve thousand dollars. Over seventy thousand dollars have been paid out in sick and accident benefits and over fourteen thousand dollars for death benefits. Over twenty-one thousand five hundred dollars have been expended for the services of the society's physician. All surplus funds are carefully invested in safe interest-bearing bonds.

**C**ONTRIBUTIONS *equal in amount to those of the employees are one company's method of encouraging its mutual aid society—excellent results obtained.*

In some of the concerns which have established benefit associations, the company associates itself with employees. Such is the case in the Employees' Benefit Association of a large threshing machine company.

The object of this association is to provide members with a certain income when sick or disabled by accident, either on or off duty and to pay to the families of the members certain and definite sums in case of death. It maintains a fund which belongs to the employees and which is used in paying benefits to them.

The organization of the association is interesting. The executives consist of a board of trustees made up of members representing different departments of the company, and a superintendent. The headquarters of the superintendent are at the general offices of the company.

The benefit fund consists of contributions from members of the organization, income or profit from investments or such contributions as may be made by the company from time to time.

The company contributed one thousand dollars to the fund at the start, and agreed to contribute five hundred dollars more as soon as the membership of the benefit association equalled fifty per cent of the company's factory employees. An additional five hundred dollars was to be contributed as soon as the membership of the benefit association equalled seventy-five per cent and a further sum of five hundred dollars as soon as the membership equalled ninety per cent of the total number of factory employees.

After the first year, the company agreed to contribute annually a sum equal to ten per cent of the total amount paid by all members. The company also agreed at the time the regulations were put into effect that it would advance funds for payment of the benefits.

In handling the benefit association fund, contributions from members are used only for the payment of benefits due to the members of the organization and for the expense of administration. If a surplus accumulates, it remains under the control of the members of the association through their representatives, the board of trustees; and if a deficit arises, the company is to make temporary plans to pay it.

A board of trustees of six members is chosen annually.



Three of the members of the board of trustees are chosen by the employees, who are members of the organization, and three are chosen by the board of directors of the company.

The president of the company is also an official member and chairman of the board of trustees and is entitled to vote. He has the power to appoint a temporary chairman in his absence. The number of trustees can be increased or decreased, but at all times one-half must be elected by the employees and one-half by the board of directors of the company.

The agent for the trustees is the superintendent of the benefit association, who is appointed by the trustees. He is also eligible to membership in the association. Under the direction of the board of trustees, the superintendent has charge of all office boys, clerks and systems, prescribes the form of blanks to be used, signs all orders for benefits, furnishes to the board such reports as it may desire, and, in general, acts as the executive of the benefit association. He has authority to appoint business and medical examiners and visiting nurses and has the general supervision of all medical and surgical affairs of the association.

Benefits are paid for sickness and accident. Special benefits are provided in case of serious accident. The constitution is so drawn that in case of any grave injury or sickness when a member of the association desires to accept a lump sum instead of benefits, the superintendent has authority to make full and final settlement with such a member on terms which may be agreed upon in writing.

Payment in case of death if classed as due to sickness is fixed as equal to the total average wages of one year or of three hundred working days' average

wages. If death is caused by accident, the amount paid is equal to the total average wages for two years or six hundred working days. If a member commits suicide before the end of the first year, the beneficiary receives one-half of the amount the member has contributed to death benefits.

Pension systems and benefit associations such as these tend to establish more closely the commercial relations between industrial cost and social responsibility. Many concerns are doing the same thing in their own way. Recognizing that the employee himself cannot or will not provide against his time of need, great companies are coming more and more to put this provision for the future on a definite and sound business basis.



**T**HE employee must know and feel that he is with the house for the good of the house; and every duty, every difficulty, every action is for its service; that the organization is bigger than the individual units. If this understanding is established, and if, at the same time, a sympathy with the policy of the house is aroused in the employee, a real beginning for coordinate service has been started.

—John V. Farwell,  
President, John V. Farwell Company

## XXIII

# MAKING WORK INTERESTING

By Harrison McJohnston

**T**WO years ago a young man entered the employ of a manufacturing plant whose policy it was to keep the men ignorant about the business. This secrecy extended from important plans and proposed developments, where it is sometimes essential, down to trivial details, concerning which secrecy is seldom necessary and is often a disorganizing influence.

The young man enthusiastically started to work. He checked and footed up bills. He asked the meaning of the papers he worked on, and met rebuke. Again, he asked what was done with them when they left his desk, and was "called down." At first this strange treatment amused him. Gradually his amusement developed derision. He settled down for six months with disgusted indifference to anything but his own inkpot. Then he quit.

Buried under long, machine-like training was a streak of progressiveness in his department head. The loss of an ambitious young clerk troubled him. He clearly saw the uninterested feelings of the listless automata in his department. Everywhere, lack of interest was apparent and the expensive result of this lack was much more apparent. He resolved to change things. So he approached the general manager with a plan for enthusing the men.



His chief listened and agreed to let him try out the idea.

Straightway this executive began to tell his men about their work, how it fitted in with the work of other departments and its importance to the business in general. Result: within six months the cost of running his department was reduced twenty per cent.

**T**ELLING *men the story of their work, interesting them in its romance, acquainting them with unusual details—these things lighten the load of routine.*

This marked the beginning of an open-minded policy in the entire plant. The general manager began to tell all the men about the business on a broad scale, mechanics and common laborers as well as the office force. A monthly magazine was started. The men read it eagerly—and started to think about the business. Frequent meetings of foremen, gang foremen and department heads were held. Their interest was focused on important problems. “What shall we tell the men?” was the leading question. And the cost of this reversed policy—the time consumed in these meetings, and the magazine, which cost about twenty-five dollars each issue, were a mere drop out of the bucket of increased profits, judged by the present interest, loyalty and initiative of *all* the men in comparison with the lack of these qualities two years ago.

The problem of getting the kind of news to men that will stimulate personal interest and pride in their work and will make each man, the scrap sorter and the office boy as well as the department head, feel that he is an important cog—this vital idea of creating “family interest” among all employees is an organization policy to which efficient execution of the actual work of a busi-

ness owes allegiance more than to any other.

It is safe to say that the lack of family interest among the workmen of any organization, caused by the policy of extreme secrecy or by failure to get the right kind of news to men at the right time, taxes that organization a big sum of money in comparison with the cost of judiciously exploiting its business to *its own* workmen—the cost, for instance, of keeping one department in touch with the work and the plans of other departments.

A western salesman for a machine-tool manufacturer received from the home office a trade circular that announced an electric crane—a new line with his firm. In acknowledging this, the salesman wrote:

“The Jones Bridge Company has just placed a sixty-thousand-dollar contract for cranes. In view of the satisfactory service of other machines we have sold this company, I feel sure that had I known a month ago that you were designing a crane I could have landed an order.”

Contrast with this the policy of another company, where district sales managers are almost as much a part of the engineering staff as though they visited the shops every day to find out what is going on there. No important change is made in any of this company's machines that is not first laid before these district sales managers for suggestions, objections or approval. The entire organization from shippers' helpers up to the general manager works unitedly for increased output and for decreased expense—to smash last year's record *daily*—and they do it *chiefly because the business is advertised to them*. Monthly and weekly periodicals, also daily bulletins, are issued in all the sales districts. These bulletins, which are distributed among all the men at home and on the road, not only keep salesmen in touch

with all important production problems and changes, but also show their exact relative sales.

The best news to give out and the best method of communication largely depend, of course, upon the number of employees and the kind of work they do. If the news is of a general character interesting to a great number of men, it can best be communicated by means of a periodical. If it is important news of immediate value, bulletins or circulars may be sent out for the signatures of those interested. Or, most effective of all methods for the big business as well as for the small one, news may be disseminated even among the rank and file by word of mouth.

**W**HEN the executive comes into actual contact with his employees and speaks to them as man to man, they get broader viewpoints and a new interest.

“When we took this contract we promised deliveries one week earlier than any one else could figure. We cut the margin pretty close, perhaps, but if we all *think and work together*, we’ll put the job through on time. We can’t afford to and we won’t fall down on this contract. *So we’ll tell the men* and get things started.”

The head of a manufacturing plant thus spoke to a council of his factory executives consisting of the superintendent, foremen and gang foremen. He had just analyzed the strenuous conditions under which an order was captured and must be filled. The chief of the planning department had sketched the program and the schedule on operations, and had indicated the points where danger would focus. If any outsider had seen the rapt attention given to both speakers, he would have been certain that this was a crisis in the affairs of this company. But this conference was, and is, a daily oc-



currence. And these meetings tell about all of the success story of this prosperous industry—best expressed in those significant words of the president: “*So we’ll tell the men.*”

Follow the head of this business out into the shops. His eye catches the ticklish combination of a new workman machining parts to be used in filling the order of a new customer. He picks up a finished wheel, not gingerly, as one who considers his finger tips, but firmly. Calipers and gauges are handy, but he ignores them and saves the workman’s pride. He is not an inspector of parts; he is a handler of men. His way is to *mold them*, not hammer them, into confirmation with the company’s requirements.

“That’s the G job, isn’t it?” he asks the new workman. Then confides in him: “We had to do some tall figuring to land that work. They buy lots of machinery, but they think too much about the price, and this is the first time we’ve been able to sell them. We’re not making much on the order. But we count on giving them such a good job that they’ll see the difference and will buy our stuff in the future.”

Not a word of caution or command, no hint of watchfulness or distrust, just a few frank, informing words that invest a bunch of ugly castings with meaning of vital interest to this laborer. Forthwith this man in overalls sees his task and himself in a new light. An otherwise wearisome job becomes interesting and worth study. The workman feels responsible. His brains are needed as well as his hands. He is part of an organization that recognizes the importance of the individual and confides in his ability. In this one detail this workman feels that *he* is the company and the organization. *He* is the competitor with rival manufacturers. Without

ministering to his conceit, without "jollyng," he gets an admirable first lesson in house spirit. If he measures up to the company's standard, the lessons continue until they cease to be lessons—they become problems he is helping the company to solve. All of which results from the significant policy: "*So we'll tell the men.*"

Costly formal annual banquets may be worth while, but informal daily meetings with the men are worth much more—and the one tactful interview of the president with the man in overalls is an example potentially worth a dozen formal banquets.

From that particular instance the step is short to the general principle. The dependence of the sales force on the factory organization, the handicap of high production cost in figuring contracts successfully, the close connection of the sales force with every economy in production and the sympathy between profits and pay envelopes—all these vital interdependencies, constantly and concretely impressed on the minds of the men concerned, build business.

"I have always tried to show the men," another executive explains, "that cooperation is the mercury in the thermometer of our earning power. Wages and profits rise and fall together. They know this for a fact; they know why it is true; and our interests are never far apart."

This management is willing to tell the men not only the cost of materials and labor, but also general costs, overhead expense and the elements on which these depend. Even specifications of contracts are given out under certain restrictions to employees who desire to know them.

"Discovering and initiating improved methods are not alone foremen's and front-office jobs," he continued. "If

you want your tool makers and machine tenders to add the function of thinking to their regular function of doing, you must first prove that it is to their advantage. This kind of cooperation must spread down before it grows up. That is why we tell the men what we are sometimes told the men should not know."

The decisive test of this young president's idea came with the financial collapse of 1907. Three years before, he had taken charge of a demoralized industry, had eliminated its labor difficulties, reorganized the factory and restored the company to dividends. He had just accomplished many economies and cost reductions and was moving cautiously onward when the sudden paralysis of business forced his hand.

**P**UTTING *confidence in men is a sure way of having them at your side in times of trouble—and at all times such a policy makes for lower production costs.*

From desirable changes his contemplated improvements became immediate necessities, if production were to continue and the force be held together. Machinery buyers were cancelling orders. Nothing except radical price concessions would tempt them to enter the market. Cost cutting must accompany the scaling of prices. But cost cutting was this executive's treasured purpose. He made the slump in orders the front of opportunity, not of calamity. Immediately he closed a contract that troubled his sales department. Then he called in his superintendent and his council of foremen:

"I have accepted a \$10,000 chain job at cost," he confided. "If I had figured in our usual percentage of profit, I could not have closed the order and the shops would have to shut down. This condition must govern our business for many months. To make sales enough



to keep us all busy, we must quote prices at about our present cost levels. The only alternative is to run half time or lay off a lot of men. I don't want to do either.

"This is your contract and your men's contract just as much as it is the company's. If the men can help us cut the costs, we'll not have to cut their wages and we can take other orders on the same basis. We want their ideas, therefore, on getting this work out more expeditiously. We'll make it worth their while to think. We'll pay twenty-five dollars for every suggestion which results directly or indirectly in cutting cost. And when we've run this order through we'll know whether we can keep everybody busy at his old rate or whether we'll have to cut the pay roll. *Explain the situation to the men. Put the issue up to them.*"

A few days later the president and superintendent sifted out a mass of suggestions, six of which promised important savings. One proposed to saw out the blanks from which chain links were forged instead of heating the bars and forging them to length by hand. With a form cutter at least forty bars could be sawed cold at one time. Two forgings were not necessary. Five men could do the work that ten do now and in half the time.

Many other valuable suggestions were proposed and, as the job progressed through the shops, change after change was made. When the actual costs on this job were finally figured the net profit for the company was four per cent!

Every man took a personal pride in the successful outcome. They had begun to think operations as well as execute them. They had demonstrated for themselves the value of cooperation and the reality of their mutual interests with the company. They had developed individual organization consciousness. They were a team—

the principals in a big fight—because they were told what the fight meant.

Not long ago a visitor in a great electrical plant saw this inscription plainly chalked on the side of a huge piece of apparatus: THIS MACHINE GOES TO PERU—IT WILL HELP BUILD THE RAILROAD ACROSS THE ANDES.

“Traveling advertisement?” the visitor asked the superintendent. But that gentleman smiled as he answered: “No, only our ad to our own men here in the plant. We let the employees know all about the products of the firm. It’s good policy. Our shippers will handle that machine more carefully, see that it is blocked up and fastened more securely because they know how far it has to go. ‘Going to Peru!’ they will say. ‘That’s a mighty long trip. We’ll have to fix her up so she’ll stand that trip and we’ll have to be dead sure every part is all right, for she’ll be a long way from the repair shop up on top of the Andes.’ You see, they will take great interest in that shipment. Instead of just a huge, troublesome block of metal, that machine at once is invested with a personality.

“I have never known it to fail,” he concluded, “that when you take the men into your confidence it proves a great incentive to better work.”



**I** HAVE *never known of a great business success without a personality. I have never known of a great personality in business without a system.*

—Henry C. Lytton  
President, The Hub, Chicago

## XXIV

# APPOINTING THE EMPLOYEE HIS OWN JUDGE

By A. L. Filene

General Manager and Treasurer, Wm. Filene's Sons Company

**J**USTICE in all decisions involving the relations between employer and employee is the essential for holding a loyal working force. Give the employee a chance to present his side of the case before a jury which he has helped elect and he must recognize the fairness of its decision whether it is for or against him.

I consider the right of arbitration given to our employees, and the way it has been used during this period of years, the most important contribution we are making toward the promotion of practical and just cooperation between employer and employee; and I believe that in its essential principles this type of arbitration can be applied to any business.

Since July, 1901, an arbitration board has been annually elected by the Filene Cooperative Association—an association to which every employee of William Filene's Sons Company belongs by virtue of employment. This board is made up of a representative from each of the various sections of the house. Having jurisdiction at first only over matters regarding reductions in salary, it has gradually improved its usefulness and value until today it has the power of deciding all questions of disagreement as to wages, positions, tenure of employment and any point of controversy between employer and



employee or between one employee and another.

The board is at present composed of nine members, all of whom are employees and are elected by general vote of the employees. The chairman is appointed by the president of the F. C. A.

So satisfactory has been the work of these boards that there is probably not a person in the store who would give up the arbitration board. We have had more than 400 cases of arbitration, and a professor of law who has made a study of them says that for average good sense and justice the decisions compare well with some 10,000 civil cases which he has studied. From a two years' summary of the cases some interesting figures have been obtained. Forty per cent of the cases have been decided in favor of the firm, fifty-two per cent in favor of the employees. The other eight per cent were withdrawn or settled outside of the arbitration board. Dismissals, missing sales slips and cashier's shortages constitute the basis for appeal in the majority of cases.

**J**UDGMENT *of disputes, whether between employees or between employer and employee by juries they have elected, makes for a satisfied working force.*

In addition to this arbitration board elected by employees, any profit sharer in the Filene corporation can bring any question before a special Profit-sharer's Arbitration Committee of three. One member of the committee is chosen by the appellant, one by the management, the third by these two.

At first sight it might appear that the employees, knowing their right to appeal against a decision of those in authority, would take advantage of their position, and discipline would be lax. Several years' trial of the plan has shown that the attitude of the employees

is exactly the opposite.

That employees may understand their privileges and their relations to the arbitration board, a printed card is given to all employees when they enter the organization. A similar statement is printed on the pay envelopes as shown:

You have the right to appeal to the Arbitration board any question relating to the powers given you, your scope of work, promotion or remuneration. The Arbitration board is elected annually by the employees, and any appeal should be made to the representative of your division, Mr.....

Positions in the house are filled by promotion, if possible.

The important factors in considering you for promotion are:

1. Successful work in your present position.
2. The fact that you have developed an understudy capable to take up your work.
3. The fact that you have made yourself familiar with the duties of the position desired.

Go freely to the F. C. A. Counsellor for advice on either personal or business matters. Her province is to help clear the way for you to succeed.

Keep a copy of the rule book always in your possession—know your rules and live up to them in every particular. The Filene Co-operative Association, of which you are a member, has power to make or change any store rule by a majority vote.

Because there is an appeal to the arbitration board, a floor manager or head of a department or any executive is very careful in weighing all sides of a question before discharging an employee. Floor managers have the right of removal, but not of dismissal. If a clerk is removed by the floor manager she takes her case to the store manager. If he believes it just, he may either rein-

state her or transfer her to some other department. And, on the other hand, if he decides to dismiss the saleswoman, she can appeal to the arbitration board, whose decision is final.

Because of the fairness of this treatment, a strong feeling of respect for decisions has been engendered in the store. If an employee is discharged, a feeling is manifest that he deserved it.

One case in particular makes this point clear. An employee in a position of responsibility appropriated money not his own. When his theft was discovered and he had been discharged by the store manager, he appealed to the arbitration board for reinstatement, urging a number of extenuating circumstances which were not without effect. The board, however, upheld the manager's position and he left the store.

Under these circumstances and ordinary conditions, this employee would have felt embittered toward the management and the store, however just was his dismissal. In this case, however, he had been given an opportunity to present his side of the case before a jury of his peers and make the best plea possible, and when he left the store it was with the double conviction that his dismissal was just and that it was not a case where the management would not show mercy, but one where his fellow employees were compelled to insist upon his dismissal for their own protection and the good of the business.

Nor is the employee the only party benefited by this method of handling dismissals. A clerk in a bookkeeping department was doing poor work and was removed by the department head. The store manager, when the case came to him, decided to transfer the man to his own department and took occasion to have him under-



stand that inefficient service was the reason for his transfer.

A few months later this same clerk was selected by the head of a department to be his understudy and showed such ability that he was advanced to a position of responsibility where he was in charge of the men with whom he had not been able to make a showing in the first place. The man, appreciating the situation, had taken night courses of instruction and developed himself. The firm had retained a valuable and loyal employee.



**I**T IS *very desirable to take men into employment when they are young. We do not want to take on men who have not within themselves the capability of becoming executives. Our best executives today came in as boys and made the business a part of their nature. We are taking in many young men who want to make their way in the world, and if they can devote themselves to the tasks before them, they will succeed. The incentive to work is great if the man knows that sure advancement awaits him and the department executive has great inducement to train an understudy, if he knows by doing so he is not training himself out of employment, but turning himself into a higher and more remunerative occupation.*

—Clarence M. Woolley  
President, American Radiator Company



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